

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

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In re: PROMESA
Title III
THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,
as representative of Case No. 17-04780 (LTS)
PUERTO RICO ELECTRIC POWER
AUTHORITY (“PREPA”),
Debtor.¹
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**SUMMARY SHEET ACCOMPANYING SIXTH INTERIM FEE APPLICATION
OF MCKINSEY & COMPANY, INC. WASHINGTON D.C. AS CONSULTING SERVICES
PROVIDER TO THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR
PUERTO RICO, AS REPRESENTATIVE OF DEBTOR,
PUERTO RICO ELECTRIC POWER AUTHORITY (“PREPA”) FOR THE PERIOD
FROM FEBRUARY 1, 2019 THROUGH MAY 31, 2019**

Name of Applicant:	McKinsey & Company, Inc. Washington D.C. (“ <u>McKinsey Washington</u> ”)
Authorized to Provide Services to:	The Financial Oversight and Management Board for Puerto Rico, as Representative of the Debtors Pursuant to PROMESA Section 315(b)
Period for which Compensation and Reimbursement is Sought:	February 1, 2019 through May 31, 2019
Monthly Fee Statements Subject to Sixth Interim Fee Request:	Fourteenth Monthly Fee Statement for Compensation for Services Rendered From February 1, 2019 through February 28, 2019: Title III Support for PREPA dated June 19, 2019
	Fifteenth Monthly Fee Statement for Compensation for Services Rendered From March 1, 2019 through March 31, 2019: Title III Support for PREPA dated June 19, 2019

¹ The last four (4) digits of PREPA’s federal tax identification number are 3747.

Sixteenth Monthly Fee Statement for Compensation for Services Rendered From April 1, 2019 through April 30, 2019: Title III Support for PREPA dated July 8, 2019

Seventeenth Monthly Fee Statement for Compensation for Services Rendered From May 1, 2019 through May 31, 2019: Title III Support for PREPA dated July 8, 2019

Total Fees Requested for Sixth Interim Compensation Period: **\$2,960,000.00**

Total expenses requested for Sixth Interim Compensation Period: **\$0.00²**

Total fees and expenses requested for Sixth Interim Compensation Period: **\$2,960,000.00**

Total requested Sixth Interim Compensation Period fees and expenses paid to date: **\$0.00**

Total fees and expenses subject to an Objection: **\$0.00**

Type of Application: **Sixth Interim Fee Application:
Title III Support for PREPA**

Deadline for parties other than notice parties to file objections: **August 4, 2019**

² McKinsey Washington provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

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In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17-04780 (LTS)

PUERTO RICO ELECTRIC POWER
AUTHORITY (“PREPA”),

Debtor.³

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**SIXTH INTERIM FEE APPLICATION OF MCKINSEY & COMPANY, INC.
WASHINGTON D.C. AS CONSULTING SERVICES PROVIDER TO THE FINANCIAL
OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, AS
REPRESENTATIVE OF DEBTOR, PUERTO RICO ELECTRIC POWER AUTHORITY
("PREPA") FOR THE PERIOD FROM FEBRUARY 1, 2019
THROUGH MAY 31, 2019**

McKinsey & Company, Inc. Washington D.C. (“McKinsey Washington”), strategic consultants to the Debtors in the above-captioned cases, respectfully represents:

INTRODUCTION

1. By this sixth interim fee application (the “Sixth Interim Fee Application”), McKinsey Washington seeks the allowance and payment of compensation for professional services pursuant to the *Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals* [Docket No. 3269] (the “Interim Compensation Order”), the applicable provisions of Title 11 of the United States Code (the “Bankruptcy

³ The last four (4) digits of PREPA’s federal tax identification number are 3747.

Code”), the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), the Local Bankruptcy Rules of the United States Bankruptcy Court for the District of Puerto Rico (the “Local Rules”) and Appendix B of the *U.S. Trustee’s Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. §330 by Attorneys in Large Chapter 11 Cases Effective as of November 1, 2013* (the “U.S. Trustee Guidelines,” and together with the Interim Compensation Order, the Bankruptcy Code, the Bankruptcy Rules and the Local Rules, the “Code and Rules”). Pursuant to the Code and Rules, the Certification of Thomas Dohrmann, a Partner of McKinsey Washington, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit A.

2. By this Sixth Interim Fee Application, McKinsey Washington seeks allowance and payment of compensation for professional services performed by McKinsey Washington for the period from February 1, 2019 through May 31, 2019 (the “Compensation Period”) pursuant to the “Title III Support for PREPA” Scope of Work set forth in the Consulting Agreement, as defined in paragraph 10 and attached hereto as Exhibit B, in the aggregate amount of \$2,960,000.00, representing 100% of fees incurred during the Compensation Period. McKinsey Washington submits that allowance and payment of this amount are fully warranted given the actual and necessary services rendered to the Debtors by McKinsey Washington, as described in this Sixth Interim Fee Application.

BACKGROUND AND JURISDICTION

3. On May 3, 2017 (the “Petition Date”), the Commonwealth of Puerto Rico (as herein defined), by and through the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), pursuant to section 315(b) of the Puerto Rico Oversight, Management, and Economic

Stability Act (“PROMESA”), filed a petition (the “Petition”) with the United States District Court for the District of Puerto Rico (the “Court”) under Title III of PROMESA.

4. On May 5, 2017, the Puerto Rico Sales Tax Financing Corporation (“COFINA,” and together with the Commonwealth (the “Commonwealth”) of Puerto Rico, the “Debtors”), by and through the Oversight Board, as COFINA’s representative pursuant to PROMESA section 315(b), filed a petition (“COFINA’s Petition,” and together with the Commonwealth’s Petition, the “Petitions”) with the Court under Title III or PROMESA. The filings of the Petitions constitute orders for relief under Title III of PROMESA.
5. On May 9, 2017, the Debtor filed a motion seeking the joint administration of the Title III cases (the “Title III Cases”) for procedural purposes only, pursuant to PROMESA section 304(g) and Bankruptcy Rule 1015, made applicable to these Title III Cases by PROMESA section 310. On June 1, 2017, the Court ordered that the cases be consolidated for procedural purposes and be jointly administered.
6. On June 15, 2017, an Official Committee of Unsecured Creditors and an Official Committee of Retirees were appointed in the Title III cases by the United States Trustee for Region 21.
7. On November 8, 2017, the Court entered *the First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, which directs that professionals in the Title III Cases be paid interim compensation and outlines the procedures by which professionals are to submit, at four-month intervals, “an application for interim Court approval and allowance of the payment of compensation.”
8. On June 6, 2018, the Court entered *the Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, which amended certain provisions regarding the procedures by which professionals are to submit, at four-month

intervals, “an application for interim Court approval and allowance of the payment of compensation.”

9. This Court has subject matter jurisdiction over this matter pursuant to PROMESA section 306(a).

Venue is proper in this district pursuant to PROMESA section 307(a).

THE RETENTION OF MCKINSEY WASHINGTON

10. On or about July 3, 2017, McKinsey Washington and the Oversight Board entered into a contract setting forth consulting services McKinsey Washington would provide in support of the Title III litigation (First amendment effective November 1, 2017, Second amendment effective April 1, 2018) (the “Consulting Agreement”), attached hereto as Exhibit B. The scope of work under the Consulting Agreement is divided into three (3) distinct workstreams: (i) Commonwealth Title III Support; (ii) Title III Support for PREPA; and (iii) Title III Support for HTA. This Sixth Interim Fee Application concerns the second workstream, namely Title III Support for PREPA.⁴

11. Consistent with how McKinsey Washington serves clients and prices its engagements both for the public and private sectors, McKinsey Washington’s fee structure under the Consulting Agreement for services related to Title III support for PREPA was constructed on a monthly firm fixed price basis, as set forth below for the Compensation Period:

Period of Performance	Fee
February 2019	\$740,000.00
March 2019	\$740,000.00
April 2019	\$740,000.00

⁴ McKinsey Washington is simultaneously serving separate Sixth Interim Fee Applications for compensation for services rendered pursuant to the other two (2) workstreams under the Consulting Agreement.

May 2019	\$740,000.00
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12. These monthly rates are similar to rates that McKinsey Washington charges for professional services rendered in comparable matters. Such fees are reasonable based on the customary compensation in a competitive market.
13. There is no agreement or understanding between McKinsey Washington and any other nonaffiliated person for the sharing of compensation to be received for services rendered in the Title III Cases.
14. All services performed by McKinsey Washington for which fees are requested herein were performed or incurred for and on behalf of the Debtor and were not for any other person or entity.

SUMMARY DESCRIPTION OF SERVICES PERFORMED –
TITLE III SUPPORT FOR PREPA

15. Set forth below is a brief summary of the principal matters on which McKinsey Washington provided services in connection with the Title III Support for PREPA scope of work during the Compensation Period, along with a list of the McKinsey Washington professionals who performed services during that period. In addition to this summary, comprehensive details setting forth the day-to-day activities performed and deliverables provided by McKinsey Washington professionals are included in McKinsey Washington's Monthly Fee Statements (McKinsey Washington's Fourteenth Monthly Fee Statement for Compensation For Services Rendered from February 1, 2019 through February 28, 2019: Title III Support for PREPA (the "Fourteenth Monthly Fee Statement: Title III Support for PREPA"); McKinsey Washington's Fifteenth Monthly Fee Statement for Compensation For Services Rendered from March 1, 2019 through March 31, 2019: Title III Support for PREPA (the "Fifteenth Monthly Fee Statement: Title III Support for PREPA"));

PREPA”); McKinsey Washington’s Sixteenth Monthly Fee Statement for Compensation For Services Rendered from April 1, 2019 through April 30, 2019: Title III Support for PREPA (the “Sixteenth Monthly Fee Statement: Title III Support for PREPA”); and McKinsey Washington’s Seventeenth Monthly Fee Statement for Compensation For Services Rendered from May 1, 2019 through May 31, 2019: Title III Support for PREPA (the “Seventeenth Monthly Fee Statement: Title III Support for PREPA”), attached hereto as Exhibit C.

February 2019:

During February 2019, the McKinsey Washington PREPA Title III team initiated the Fiscal Plan development process with a kickoff meeting with the Board and PREPA, to align on the overall development process and a weekly working cadence. The team followed up with a weekly check in call on February 22, 2019. These regular meetings are intended for the Board to provide timely inputs on parts of the Fiscal Plan and allow PREPA to make any relevant changes early in the development process. The team also reviewed and conducted an analysis of PREPA’s Budget-to-Actuals (B2A) submissions for Q2FY19.

The team worked to coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection. The team focused on three areas highlighted: implementation reviews, financial reporting and contract reviews.

The team continued to oversee implementation of measures for PREPA transformation through review of reports, and in person meetings. In these meetings, the team discussed in detail the status of initiatives Retirement Backlog, Contract Management Improvement, Real Estate Optimization, Smart Meters & Meter Replacement, Call Center Ops, Vegetation Management, Employee Benefit Optimization and Personnel Capacity Assessment, Renewable & Conventional

PPA Renegotiations, and Pension Plan Reform. The team helped identify implementation obstacles, and recommended mitigation measures as well. Regular briefings were provided to the Board based on progress updates reported by PREPA.

The team continued its analysis of weekly and monthly financial and operational reports, and summarized takeaways to the Board based on reports and calls related to the Side Letter and Commonwealth loan requirements.

In February 2019, the team concluded the analysis of the New Fortress Energía (NFE) contract to supply natural gas to San Juan 5 & 6 and convert the existing facility to be able to burn natural gas as fuel, ensuring that this contract was aligned with the Fiscal Plan and did not pose a material risk in achieving its goals. This process involved multiple in person meetings and calls with PREPA, as well as several requests for further information to fully assess the impact of the contract and the selection process. The final contract was approved and is now in execution. Additionally, the team reviewed and approved a separate contract with ARG Precision for repair work at the Mayagüez Power Plant.

The team reviewed the final Integrated Resource Plan (IRP) submission from PREPA with emphasis on the two “recommended” scenarios: ESM and S4S2. Further analysis was performed to understand the inputs and assumptions of the model, and the drivers of differences between the ESM and S4S2 scenarios.

The team reviewed debt restructuring terms and plans, and agreed with creditors to the extent possible. The team also focused on the latest terms presented by the creditors on demand protection and provided an impact analysis of the terms and conditions.

Finally, the team reviewed an article by the Institute of Energy Economics and Financial Analysis (IEEFA) entitled “PREPA Privatization Will Hurt Consumers and Slow Economic

Recovery.” The team also reviewed and commented on a preliminary draft of the demand protection memo.

The McKinsey Washington personnel who provided services related to the PREPA Title III support are set forth below:

Bertil Chappuis (Senior Partner – part-time – overall strategic direction);

Matt Rogers (Senior Partner – part-time – strategic direction primarily regarding power and utilities);

Tyler Duvall (Partner – part-time – overall strategic direction);

Aaron Bielenberg (Associate Partner – part-time – strategic direction, primarily in power, utilities and restructuring);

AK Mahadevan (Engagement Manager – full-time – overall management and fiscal plan, model and budget, implementation, stakeholder engagement);

Ankit Saraf (Associate – full-time – fiscal plan, contract review, weekly reports, budget, and other);

Max Grass Araya (Associate – full-time – implementation monitoring and reporting); and

Rachel Wang (Associate – full-time – fiscal plan, budget, legislation review, and other).

The core activities and deliverables related to the PREPA Title III support during February 2019 included:

- Fiscal Plan and Budget
 - Attended FY20 Fiscal Plan kick-off meeting with PREPA on February 13, 2019 to align on working cadence and process. Attended check in call on February 22, 2019
 - Reviewed differences between the Fiscal Plan model and the Transaction model

- Attended call with Citibank to discuss questions on the Transaction model on February 2, 2019 and provided comments on pages to be presented at the board meeting
- Attended call with Citibank to coordinate on Fiscal Plan development on February 20, 2019
- Reviewed and conducted analysis of PREPA's Budget-to-Actuals (B2A) submissions for Q2FY19
- Implementation reporting and tracking for PREPA transformation and transaction
 - Attended bi-weekly implementation meeting cadence on February 27, 2019 and February 28, 2019 with the Deputy Transformation officer and initiative owners. Prepared summaries and implications from these meetings to the Board
 - February 27, 2019: Retirement Backlog, Contract Management Improvement, Real Estate Optimization, Smart Meters & Meter Replacement, Call Center Ops, and Vegetation Management
 - February 28, 2019: Employee Benefit Optimization and Personnel Capacity Assessment, Renewable and Conventional PPA Renegotiations, and Pension Plan Reform
 - Provided initiative status tracker to PREPA to follow up on pending actions agreed in implementation meetings
 - Prepared implementation status summary for Board both at an aggregate level as well as by initiative, identifying the risks posed by further delays in implementing
- Summarized Financial & Operational tracking weekly reports for the Board

- Summarized weekly reports sent by PREPA as part of the requirements of the Commonwealth loan, for Board review
- Attended creditor calls on February 1, 2019 and February 15, 2019, and summarized notes for Board review
- Analyzed February Proposed Budget for sustainability of cash flows, consistency with previous Proposed Budgets, and any other potential concerns, and provided assessment to FOMB
- Review of PREPA's current and aging Accounts Receivables
 - Summarized Accounts Receivable reports sent by PREPA on January 15, 2019 and January 27, 2019 for Board review
- Integrated Resource Plan (IRP)
 - Reviewed the draft IRP submission and conducted analyses to understand differences between the two preferred scenarios ESM and S4S2, and differences between the proposed plans and the FY19 Fiscal Plan forecasts
- Contract review
 - Reviewed in detail proposed New Fortress Energía (NFE) fuel supply contract for San Juan 5 & 6; given the larger size of the contract a more detailed analysis of the contract included:
 - Meeting with and interviewing experts on LNG fuel supply contracts
 - Meeting with members of the PREPA team and their advisors for the contract to understand the underlying assumptions involved

- Conducting analysis to validate the savings assumptions in the contract, and
- Providing initial review of the contracting process, timelines, and relevant contract clauses
- Reviewed in detail proposed contract by ARG Precision for the performance of repairs and STAGE 2+ modifications of power turbine 1B, and the repairs to the gas generator and compressor of units 2A and 2B at the Mayagüez Power Plant, by:
 - Assessing compliance of the scope of work with objectives of the Fiscal Plan, and
 - Verifying the source of funding to be used for the contract
- Others
 - Prepared memo on the article by Institute of Energy Economics and Financial Analysis (IEEFA) entitled, “PREPA Privatization Will Hurt Consumers and Slow Economic Recovery”
 - Reviewed preliminary draft of the demand protection memo provided by bondholders

March 2019:

In March 2019, the McKinsey Washington PREPA Title III team made substantial progress in working with PREPA to develop the Fiscal Plan. The team drafted template pages for several Fiscal Plan chapters (Historical Context & Current Challenges, Expenses – Generation, Expenses – Operational Initiatives and Performance Improvements, and Post-Certification Reporting). The team also prepared for and attended working sessions between the Board and PREPA on March 13, 2019 to discuss content development for the Fiscal Plan. In March 2019, PREPA made informal draft submissions of parts of the Fiscal Plan, which the team reviewed and provided comments for

potential revisions to PREPA. The team also prepared Excel templates for revenue assumption and projections and delivered to PREPA.

The team focused on three areas: implementation reviews, financial reporting, and contracts review. For implementation reporting and tracking, the team prepared an executive summary of implementation progress for the Board based on meetings with PREPA and regular monthly implementation reports. The team also shared best practices for contract management performance tracking and call center performance tracking and shared those with PREPA to support implementation measures. The team continued to meet with initiative owners to discuss the progress of initiatives (CILT, Economic Dispatch, Improve Plant Performance and Reliability, San Juan 5 & 6 repairs, Overtime reduction and E-Billing, Retirement Backlog, Contract Management, Real Estate Optimization, Smart Meters/Damaged Meters, Call Center Ops, Vegetation Management, and Personnel Capacity Assessment). Finally, to support renewables PPOA negotiations, the team provided to PREPA benchmarks for the cost of solar in Puerto Rico.

The team continued its analysis of weekly and monthly financial and operational reports, and summarized takeaways to the Board based on reports and calls related to the Side Letter and Commonwealth loan requirements. The team also reviewed proposed changes by PREPA on their bi-weekly, and monthly reporting cadence, given that PREPA had paid off the Commonwealth Loan. The team attended the creditor call on PREPA's weekly reports on March 1, 2019, and summarized notes for the Board's review.

In March 2019, the team also reviewed the ARG Mobile Generators contract, and verified the need for PREPA to submit a formal budget reallocation request. The team also reviewed Act 143 for compliance with Fiscal Plan, and reviewed regulations 9043 and 9051. Additionally, the team reviewed and assessed the compliance of the proposed Regulation on Wheeling of the Puerto Rico

Energy Bureau (PREB) with the Fiscal Plan.

Additionally, the team reviewed the Puerto Rico Energy Bureau's (PREB) resolution on the draft IRP and analyzed the impact of the resolution on the development of the FY20 Fiscal Plan.

The team continued its analysis of proposals for Demand Protection, including detailed analysis of the impact due to proposed treatment of behind-the-meter generation. The team also concluded its review of the article by the Institute of Energy Economics and Financial Analysis (IEEFA) titled "PREPA Privatization Will Hurt Consumers and Slow Economic Recovery," and delivered a summary memo on this topic to the Board.

Finally, the team supported Proskauer with analysis to help question the expert witness (Dr. David Tabak) and his assumptions around the value generated by the Fiscal Plan savings assumptions.

The McKinsey Washington personnel who provided services related to the PREPA Title III support are set forth below:

Bertil Chappuis (Senior Partner – part-time – overall strategic direction);

Matt Rogers (Senior Partner – part-time – strategic direction primarily regarding power and utilities);

Tyler Duvall (Partner – part-time – overall strategic direction);

Aaron Bielenberg (Associate Partner – part-time – strategic direction, primarily in power, utilities and restructuring);

AK Mahadevan (Engagement Manager – full-time – overall management and fiscal plan, model and budget, implementation, stakeholder engagement);

Ankit Saraf (Associate – full-time – fiscal plan, contract review, weekly reports, budget, and other);

Max Grass Araya (Associate – full-time – implementation monitoring and reporting); and
Rachel Wang (Associate – full-time – fiscal plan, budget, legislation review, and other).

The core activities and deliverables related to the PREPA Title III support during March 2019 included:

- Fiscal Plan and Budget
 - Prepared for and attended check-in calls between Board and PREPA on March 1, 8, and 29, 2019
 - Prepared for and attended working session between Board and PREPA on March 13, 2019 (focusing on Executive Summary, Governance, Historical Context and Current Challenges, and Privatization chapters). Synthesized notes from working session
 - Drafted Fiscal Plan template pages for the following chapters: Historical Context & Current Challenges, Expenses – Generation, and Post-Certification Reporting
 - Reviewed PREPA’s chapter submissions and prepared comments for Historical Context & Current Challenges, Baseline Financial Projections and Assumptions, Revenue – Demand, and Revenue – Rate & Regulatory Structure
 - Suggested and prepared the FY20 Fiscal Plan outline, which details overall chapter order and content structure for the entire Fiscal Plan
 - Prepared materials for working session on Baseline Financial Projections and Assumptions, and Revenue projections; originally scheduled for March 27, 2019 (eventually canceled)
 - Prepared the fiscal model revenue assumptions and projections template

- Drafted categorization and themes for initiatives in Expenses – Operational Initiatives and Performance Improvements chapter
- Reviewed PREPA’s revenue projections submission and prepared questions for further clarification
- Implementation reporting and tracking for PREPA transformation and transaction
 - Prepared executive summary of implementation progress for the Board based on meetings with PREPA and latest implementation reports
 - Prepared document on best practices for contract management performance tracking and shared with PREPA
 - Prepared document on best practices for call center performance tracking and shared with PREPA
 - Prepared for and attended implementation meeting on March 13, 2019, discussing progress for the following initiatives: CILT, Economic Dispatch, Improve Plant Performance and Reliability, San Juan 5 & 6 repairs, Overtime reduction and E-Billing
 - Prepared for and attended implementation meetings on March 27, 2019 and March 28, 2019, discussing progress for the following initiatives: Retirement Backlog, Contract Management, Real Estate Optimization, Smart Meters/Damaged Meters, Call Center Ops, Vegetation Management, Personnel Capacity Assessment
 - Reviewed PREPA’s budget reallocation request to fund acquisition of mobile generators and replacement meters. Prepared additional requests for information required prior to approval

- Provided benchmarks for the cost of solar in Puerto Rico to support renewables PPOA negotiations
- Summarized Financial & Operational tracking weekly reports to Board
 - Reviewed and prepared assessment of PREPA's monthly Proposed Budget
 - Reviewed modifications to PREPA's proposed weekly, bi-weekly, and monthly reporting cadence, in light of reporting requirement changes from PREPA having paid off the Commonwealth Loan
 - Attended creditor call on March 1, 2019 and summarized notes for Board review
- Integrated Resource Plan (IRP)
 - Reviewed Puerto Rico Energy Bureau's (PREB) resolution on the IRP and analyzed its effects on the FY20 Fiscal Plan development
- Contract review
 - Reviewed ARG Mobile Generators contract, identifying the need for PREPA to submit a formal budget reallocation request before proceeding with contract assessment for approval
- Legislation and regulation review to assess alignment with Fiscal Plan
 - Conducted analysis of Act 143 for compliance with Fiscal Plan, including review of Regulations 9043 and 9051 (which was delivered to the Board on April 2, 2019)
 - Reviewed and assessed compliance of proposed Regulation on Wheeling of the Puerto Rico Energy Bureau with the Fiscal Plan

■ Others

- Reviewed analysis of Transition Charge proposal and treatment of behind-the-meter generation in the proposal received on week of March 11, 2019, and further analysis of revised proposal received on week of March 18, 2019
- Reviewed IEEFA's article entitled “PREPA Privatization Will Hurt Consumers and Slow Economic Recovery” and delivered a summary memo to the Board
- Supported Proskauer with analysis to help question the expert witness (Dr. David Tabak) and his assumptions around the value generated by the Fiscal Plan savings assumptions
- Prepared a response to the memo shared by a local entity addressed to the FOMB highlighting the rationale for high costs of Solar on Puerto Rico

April 2019:

In April 2019, the McKinsey Washington PREPA Title III team continued to work with PREPA to develop the Fiscal Plan. The team reviewed Fiscal Plan chapter drafts on Executive Summary, Governance and Implementation, Historical Context and Challenges, Privatization, and Post-Certification Reporting. The team also reviewed and commented on a revised Table of Contents for the Fiscal Plan. The team continued to prepare for and attend working sessions between the Board and PREPA, which were held on April 16, 2019 and April 23, 2019. The team also participated in a similar working session call on load forecasts on April 11, 2019.

The team reviewed submissions on the Fiscal Plan model and Budget on April 12, 2019 and April 27, 2019, and used the submission on April 27, 2019 to draft a Notice of Violation. This was used for discussion with the Board on May 3, 2019. Finally, the team revised the submission timeline for the plan and held its weekly check-in call with PREPA on April 12, 2019.

The team focused on three areas: implementation reviews, financial reporting, and contracts review.

For implementation reporting and tracking, the team shared best practices with PREPA on overtime reduction and for designing, negotiating, and awarding renewable PPAs. The team continued to meet with initiative owners to discuss the progress of initiatives (CILT, Economic Dispatch, E-Billing, Overtime reduction, Smart Meters/Meter Replacement, Vegetation Management, Call Center Ops, Real Estate Optimization, Personnel Capacity Assessment, and Contract Management Improvement). Finally, the team submitted to the Board a summary of initiative status updates based on April implementation reports, and from meetings with initiative owners.

In April 2019, the team initiated a review of the bunker fuel contract and prepared an initial request for additional information. In addition, the team continued its review of the contract for acquisition of mobile generators, and prepared clarification questions for information needed to recommend approval of the contract. The team also reviewed Act 258-2018 for compliance with Fiscal Plan.

The team also reviewed budget reallocation requests to fund acquisition of replacement meters and mobile generators. As part of this process, the team prepared two letters requesting additional information, delivered on April 1, 2019 and April 11, 2019, respectively. The team also prepared letters approving the reapportionment, delivered on April 11, 2019 and April 13, 2019.

The team conducted a detailed analysis of the accounts receivable data of PREPA for Commonwealth government accounts to understand the balance owed to PREPA in FY20, FY19, and years prior. The team shared results with the Board to calculate appropriate allocation for the FY20 Budget of Commonwealth entities.

Finally, the team continued its review and analysis of iterations of proposed demand protection terms, and shared its takeaways with the Board. The team also participated in discussion calls with creditors and other advisors to help finalize the final demand protection term sheet.

The McKinsey Washington personnel who provided services related to the PREPA Title III support are set forth below:

Bertil Chappuis (Senior Partner – part-time – overall strategic direction);

Matt Rogers (Senior Partner – part-time – strategic direction primarily regarding power and utilities);

Tyler Duvall (Partner – part-time – overall strategic direction);

Aaron Bielenberg (Associate Partner – part-time – strategic direction, primarily in power, utilities and restructuring);

AK Mahadevan (Engagement Manager – full-time – overall management and fiscal plan, model and budget, implementation, stakeholder engagement);

Ankit Saraf (Associate – full-time – fiscal plan, budget, accounts receivables review, and other);

Max Grass Araya (Associate – full-time – implementation monitoring and reporting);

Rachel Wang (Associate – full-time – fiscal plan, budget, legislation review, and other);

and

Adam Kendall (Partner – Expert – Purchase of generators).

The core activities and deliverables related to the PREPA Title III support during April 2019 included:

- Fiscal Plan and Budget

- Reviewed Fiscal Plan draft chapters on Executive Summary, Governance and Implementation, Historical Context and Challenges, Privatization, and Post-Certification Reporting
 - Reviewed PREPA comments and finalized Fiscal Plan table of contents
 - Prepared for and participated in Fiscal Plan working sessions on between Board and PREPA on April 16, 2019 and April 23, 2019, and synthesized notes from the working session
 - Reviewed Fiscal Plan model and Budget submissions on April 12, 2019 and April 27, 2019
 - Reviewed Fiscal Plan submission (revised) timeline
 - Prepared discussion materials for Board meeting on May 3, 2019, based on the draft Fiscal Plan submission on April 27, 2019
 - Drafted the Notice of Violation on the April 27, 2019 draft Fiscal Plan submission, based on April 2, 2019 submission
 - Attended working session call with PREPA on a revised approach to load forecast on April 11, 2019
 - Prepared Fiscal Plan outline pages on historical overview of expense sub-categories, generation mix, and operational initiatives
 - Prepared Fiscal Plan draft pages on post-certification reporting and future challenges
 - Prepared materials for and participated in Fiscal Plan weekly check-in on April 12, 2019
- Implementation reporting and tracking for PREPA transformation and transaction

- Prepared discussion materials for and met with PREPA on April 10, 2019 and April 11, 2019 on implementation status of the following initiatives: CILT, Economic Dispatch, E-Billing, Overtime reduction, Smart Meters/Meter Replacement, and Vegetation Management.
- Prepared discussion materials for and met with PREPA on April 24, 2019 on implementation status of the following initiatives: Call Center Ops, Real Estate Optimization, Personnel Capacity Assessment, and Contract Management Improvement.
- Submitted to the Board a summary of initiative status updates based on April implementation reports, and from meetings with initiative owners
 - Shared with PREPA best practices for overtime reduction
 - Shared best practices for designing, negotiating and awarding renewable PPAs
- Summarized Financial & Operational tracking weekly reports to Board
 - Attended creditor call on April 12, 2019 and summarized notes for Board review
- Contract review
 - Initiated review of the bunker fuel contract and prepared initial request for additional information
 - Reviewed contract for acquisition of mobile generators, prepared clarification questions for information needed to recommend approval of the contract
- Legislation and regulation review to assess alignment with Fiscal Plan
 - Reviewed Act 258-2018 for compliance with Fiscal Plan

■ Others

- Reviewed budget reallocation request to fund acquisition of replacement meters and mobile generators. As part of this process, prepared two letters requesting additional information, delivered on April 1, 2019 and April 11, 2019, respectively. Finally, prepared two letters approving the reapportionment, delivered on April 11, 2019 and April 13, 2019
- Analyzed accounts receivables data of PREPA for Commonwealth government accounts to understand balance owed to PREPA in FY20, FY19, and years prior to FY19. Shared results with the Board to calculate appropriate allocation for the FY20 Budget of Commonwealth entities
- Reviewed and analyzed iterations of proposed demand protection terms, and shared takeaways with the Board. Participated in discussion calls with creditors and other advisors to help finalize the final demand protection term sheet

May 2019:

In May 2019, the McKinsey Washington PREPA Title III team continued to work with PREPA to develop the Fiscal Plan. The team continued to prepare for and facilitate working sessions between the Board and PREPA, which were held on May 8, 2019 and May 22, 2019. The team also created a document for the discussion with the Board on May 3, 2019. The focus of the May 8, 2019 meeting was to discuss the Notice of Violation (NOV) issued by the Oversight Board to PREPA for their draft submission of Fiscal Plan. The meeting on May 22, 2019 was to review the new Fiscal Plan submission made by PREPA in response to the NOV.

The team also focused on two areas highlighted below: implementation review and contracts review.

The team reviewed three key contracts for the Board during May 2019: 1) Freepoint contract for the supply of bunker fuel, 2) O'Melveny & Myers for legal services pertaining to Title III, and 3) Puma contract for the supply of diesel. The team also supported the PREPA team in its negotiations of renewable Power Purchase and Operating Agreements (PPOA).

The team continued its analysis of the accounts receivable data of PREPA, specifically on accounts related to the University of Puerto Rico (UPR), to determine balances owed to PREPA historically from these accounts, and anticipated billings to these accounts in the next fiscal year.

Separately, the team created an Excel model to help forecast solar penetration on the island, accounting for recent net-metering regulations, and future cost forecasts of solar panels in Puerto Rico.

The McKinsey Washington personnel who provided services related to the PREPA Title III support are set forth below:

Bertil Chappuis (Senior Partner – part-time – overall strategic direction);

Matt Rogers (Senior Partner – part-time – strategic direction primarily regarding power and utilities);

Aaron Bielenberg (Associate Partner – part-time – strategic direction, primarily in power, utilities and restructuring);

AK Mahadevan (Engagement Manager – full-time – overall management and fiscal plan, model and budget, implementation, stakeholder engagement);

Ankit Saraf (Associate – full-time – fiscal plan, budget, accounts receivables review, and other);

Max Grass Araya (Associate – full-time – implementation monitoring and reporting);

Rachel Wang (Associate – full-time – fiscal plan, budget, and other); and

Nick Lilovich (Associate – Grid defection analysis).

The core activities and deliverables related to the PREPA Title III support during May 2019 included:

- Fiscal Plan and Budget
 - Provided PREPA detailed comments on working draft of the Fiscal Plan including page by page questions to assist with review and implementation
 - Prepared for and facilitated Fiscal Plan working sessions between Board and PREPA on May 8, 2019 and May 22, 2019, and synthesized notes from the working session
 - Reviewed Fiscal Plan model and Budget submissions
 - Prepared discussion materials for Board meeting on May 3, 2019, based on the draft Fiscal Plan submission on April 27, 2019
 - Prepared for and facilitated Friday check-in meeting prior to final Fiscal Plan and Budget submission with PREPA on May 31, 2019
- Implementation reporting and tracking for PREPA transformation and transaction
 - Submitted to the Board a summary of initiative status updates based on April implementation reports, and other submissions from PREPA
 - Shared best practices for designing, negotiating, and awarding renewable PPOAs
 - Provided a bottom-up analysis showing “should cost” estimates for renewable PPOAs
 - Identified and suggested potential guardrails for the Board to support future negotiations with potential stakeholders

- Summarized Financial & Operational tracking weekly reports to Board
 - Attended creditor calls on May 10, 2019 and May 24, 2019 and summarized notes for Board review
- Contract review
 - Provided analysis on the OMM contract, and helped establish that the contract would not lead to PREPA spending more than the budgeted amount for FY19
 - Reviewed contract for bunker oil and helped PREPA alter procurement strategy. The analysis conducted identified a savings opportunity unlocked by postponing the signing of the contract by a few months
 - Continued support for review of the diesel supply contract
- Others
 - The team continued its analysis of the accounts receivable data of PREPA for UPR, and determined balances owed to PREPA historically from these accounts, and anticipated billings to these accounts in the next fiscal year

SUMMARY OF PROFESSIONAL COMPENSATION REQUESTED

Interim Fee Applications

16. On December 15, 2018, pursuant to the Interim Compensation Order, McKinsey Washington filed its First Interim Fee Application, covering the compensation period July 1, 2017 through September 30, 2017 [Docket No. 2073].

17. On March 16, 2018, pursuant to the Interim Compensation Order, McKinsey Washington filed its Second Interim Fee Application, covering the period October 1, 2017 through January 31, 2018 [Docket No. 2756].
18. On July 16, 2018, pursuant to the Interim Compensation Order, McKinsey Washington filed its Third Interim Fee Application, covering the period February 1, 2018 through May 31, 2018 [Docket No. 3580].
19. On October 31, 2018, pursuant to the *Fee Examiner's Third Interim Report on Professional Fees and Expenses (February 1, 2018 – May 31, 2018)*, the Fee Examiner recommended full approval of the First, Second and Third Interim Fee Applications filed by McKinsey Washington [Docket No. 4126].
20. On November 9, 2018, pursuant to the *Omnibus Order Awarding Interim Allowance of Compensation for Professional Services Rendered and Reimbursement of Expenses for the First (May 3 through September 30, 2017), Second (October 1, 2017 through January 31, 2018), and Third (February 1 through May 31, 2018) Interim Compensation Periods* (the “Omnibus Fee Order”), this Court granted McKinsey Washington’s First, Second and Third Interim Fee Applications, and authorized the Debtors to pay one hundred (100%) percent of the fees requested by McKinsey Washington for each of those compensation periods, as set forth on Exhibit A to the Omnibus Fee Order [Docket No. 4200].
21. On November 16, 2018, pursuant to the Interim Compensation Order, McKinsey Washington filed its Fourth Interim Fee Application, covering the period June 1, 2018 through September 30, 2018 [Docket No. 4333].
22. On March 14, 2019, pursuant to the *Omnibus Order Awarding Interim Allowance of Compensation for Professional Services Rendered and Reimbursement of Expenses for the*

Fourth Compensation Period (June 12, 2018 through September 30, 2018) (the “Second Omnibus Fee Order”), this Court granted McKinsey Washington’s Fourth Interim Fee Application, and authorized the Debtors to pay one hundred (100%) percent of the fees requested by McKinsey Washington for the compensation period, as set forth on Exhibit A to the Second Omnibus Fee Order [Docket No. 5654].

23. On March 18, 2019, pursuant to the Interim Compensation Order, McKinsey Washington filed its Fifth Interim Fee Application, covering the period October 1, 2018 through January 31, 2019 [Docket No. 5802].
24. On June 26, 2019, pursuant to the *Omnibus Order Awarding Interim Allowance of Compensation for Professional Services Rendered and Reimbursement of Expenses for the Fifth Compensation Period (October 1, 2018 through January 31, 2019)* (the “Third Omnibus Fee Order”), this Court adjourned consideration of McKinsey Washington’s Fifth Interim Fee Application.
25. On July 15, 2019, pursuant to the Interim Compensation Order, McKinsey Washington filed its Sixth Interim Fee Application, covering the period February 1, 2019 through May 31, 2019.⁵

⁵ McKinsey Washington’s six interim fee applications are summarized as follows:

McKinsey Workstream	First Interim Fee Application	Second Interim Fee Application	Third Interim Fee Application	Fourth Interim Fee Application	Fifth Interim Fee Application	Sixth Interim Fee Application
Commonwealth	\$1,480,000.00	\$6,550,000.00	\$7,237,000.001 (understated by \$500.00)	\$5,670,000.00	\$5,670,000.00	\$5,670,000.00
PREPA	\$1,480,000.00	\$2,960,000.00	\$2,960,000.00	\$2,960,000.00	\$2,960,000.00	\$2,960,000.00
HTA	\$2,160,000.00	\$1,025,000.00	\$1,585,000.00	\$1,240,000.00	\$1,240,000.00	\$1,240,000.00
Total	\$5,120,000.00	\$10,535,000.00	\$11,782,000.00	\$9,870,000.00	\$9,870,000.00	\$9,870,000.00
Total requested amount for all Workstreams for First Six Interim Fee Periods: \$57,047,000.00						

Monthly Statements

26. On June 19, 2019, pursuant to the Interim Compensation Order, McKinsey Washington served on the Notice Parties (as defined therein) the Fourteenth Monthly Fee Statement for services rendered from February 1, 2019 through February 28, 2019 under the Title III Support for PREPA workstream (the “Fourteenth Monthly Fee Period”).
27. As reflected in the Fourteenth Monthly Fee Statement: Title III Support for PREPA, during the Fourteenth Monthly Fee Period, McKinsey Washington incurred \$740,000.00 in fees related to Title III Support for PREPA and sought payment of ninety (90%) percent of such fees (\$666,000.00) in accordance with the Interim Compensation Order.
28. On June 19, 2019, pursuant to the Interim Compensation Order, McKinsey Washington served on the Notice Parties (as defined therein) the Fifteenth Monthly Fee Statement for services rendered from March 1, 2019 through March 31, 2019 under the Title III Support for PREPA workstream (the “Fifteenth Monthly Fee Period”).
29. As reflected in the Fifteenth Monthly Fee Statement: Title III Support for PREPA, during the Fifteenth Monthly Fee Period, McKinsey Washington incurred \$740,000.00 in fees related to Title III Support for PREPA and sought payment of ninety (90%) percent of such fees (\$666,000.00) in accordance with the Interim Compensation Order.
30. On July 8, 2019, pursuant to the Interim Compensation Order, McKinsey Washington served on the Notice Parties (as defined therein) the Sixteenth Monthly Fee Statement for services rendered from April 1, 2019 through April 30, 2019 under the Title III Support for PREPA workstream (the “Sixteenth Monthly Fee Period”).
31. As reflected in the Sixteenth Monthly Fee Statement: Title III Support for PREPA, during the Sixteenth Monthly Fee Period, McKinsey Washington incurred \$740,000.00 in fees related to

Title III Support for PREPA and sought payment of ninety (90%) percent of such fees (\$666,000.00) in accordance with the Interim Compensation Order.

32. On July 8, 2019, pursuant to the Interim Compensation Order, McKinsey Washington served on the Notice Parties (as defined therein) the Seventeenth Monthly Fee Statement for services rendered from May 1, 2019 through May 31, 2019 under the Title III Support for PREPA workstream (the “Seventeenth Monthly Fee Period”).

33. As reflected in the Seventeenth Monthly Fee Statement: Title III Support for PREPA, during the Seventeenth Monthly Fee Period, McKinsey Washington incurred \$740,000.00 in fees related to Title III Support for PREPA and sought payment of ninety (90%) percent of such fees (\$666,000.00) in accordance with the Interim Compensation Order.

34. To date, McKinsey Washington has been paid a total of \$12,736,941.86⁶ for services rendered under the Title III Support for PREPA workstream. McKinsey Washington has not received any payment for services rendered during the Compensation Period.

35. Pursuant to this Sixth Interim Fee Application, McKinsey Washington seeks an interim allowance of \$2,960,000.00, representing one hundred (100%) percent of its total fees incurred during the Compensation Period, and payment of the outstanding amount of \$2,960,000.00.

THE REQUESTED COMPENSATION SHOULD BE ALLOWED

36. Section 331 of the Bankruptcy Code provides for interim compensation of professionals and incorporates the substantive standards of section 330 to govern the Court's award of such compensation. Section 330 of the Bankruptcy Code provides that a court may award a professional "reasonable compensation for actual necessary services rendered ... and

⁶ The amounts paid are “net” of any amounts withheld for tax purposes or the statutory contribution of 1.5% of McKinsey Washington’s professional fees to be deposited in the General Fund.

reimbursement for actual, necessary expenses." 11 U.S.C. § 330(a)(1). Section 330 sets forth the criteria for the award of such compensation and reimbursement:

In determining the amount of reasonable compensation to be awarded ..., the court should consider the nature, the extent, and the value of such services, taking into account all relevant factors, including-

- (A) the time spent on such services;
- (B) the rates charged for such services;
- (C) whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under this title;
- (D) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed;
- (E) with respect to a professional person, whether the person is board certified or otherwise has demonstrated skill and experience in the bankruptcy field; and
- (F) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title 11 U.S.C. § 330(a)(3).

37. As demonstrated by this Sixth Interim Fee Application and the exhibits attached hereto, the services that McKinsey Washington rendered during the Compensation Period were reasonable, necessary and appropriate. McKinsey Washington expended its time economically and without unnecessary duplication of effort. In addition, the work conducted was carefully assigned to appropriate professionals, according to the experience and level of knowledge required for each particular task. Accordingly, approval of the compensation sought herein is warranted.

CONCLUSION

WHEREFORE, McKinsey Washington respectfully requests that the Court enter an order awarding McKinsey Washington an interim allowance for the Compensation Period in the total amount of \$2,960,000.00, directing the Debtor to pay McKinsey Washington the outstanding portion of such interim fees in the amount of \$2,960,000.00, and granting such other relief as this Court deems just and proper.

Dated: July 15, 2019
Washington, DC

McKinsey & Company, Inc. Washington DC

/s/ Thomas Dohrmann
Thomas Dohrmann, Partner
McKinsey & Company, Inc. Washington DC
1200 19th Street NW Suite 1100
Washington DC 20036
Telephone: (202) 662 0078
Email: Thomas_Dohrmann@mckinsey.com

Strategic Consultant to the Debtor

Certificate of Service

1. Notice of this Sixth Interim Fee Application has been or will be provided by overnight delivery or e-mail to:
 - i. attorneys for the Oversight Board, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, Attn: Martin J. Bienenstock, Esq. (mbienenstock@proskauer.com) and Ehud Barak, Esq. (ebarak@proskauer.com), and Proskauer Rose LLP, 70 West Madison Street, Chicago, IL 60602, Attn: Paul V. Possinger, Esq. (ppossinger@proskauer.com);
 - ii. attorneys for the Oversight Board, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918, Attn: Hermann D. Bauer, Esq. (hermann.bauer@oneillborges.com);
 - iii. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, NY 10036, Attn: John J. Rapisardi, Esq. (jrapisardi@omm.com), Suzanne Uhland, Esq. (suhland@omm.com), and Diana M. Perez, Esq. (dperez@omm.com);
 - iv. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, Marini Pietrantoni Muñiz LLC, MCS Plaza, Suite 500, 255 Ponce de León Ave, San Juan, PR 00917, Attn: Luis C. Marini-Biaggi, Esq. (lmarini@mpmlawpr.com) and Carolina Velaz-Rivero Esq. (cvelaz@mpmlawpr.com);
 - v. the Office of the United States Trustee for the District of Puerto Rico, Edificio Ochoa, 500 Tanca Street, Suite 301, San Juan, PR 00901 (re: In re: Commonwealth of Puerto Rico);
 - vi. attorneys for the Official Committee of Unsecured Creditors, Paul Hastings LLP, 200 Park Ave., New York, NY 10166, Attn: Luc. A Despins, Esq. (lucdespins@paulhastings.com);
 - vii. attorneys for the Official Committee of Unsecured Creditors, Casillas, Santiago & Torres LLC, El Caribe Office Building, 53 Palmeras Street, Ste. 1601, San Juan, PR 00901, Attn: Juan J. Casillas Ayala, Esq. (jcasillas@cstlawpr.com) and Alberto J.E. Añeses Negrón, Esq. (aanezes@cstlawpr.com);
 - viii. attorneys for the Official Committee of Retired Employees, Jenner & Block LLP, 919 Third Ave., New York, NY 10022, Attn: Robert Gordon, Esq.

(rgordon@jenner.com) and Richard Levin, Esq. (rlevin@jenner.com), and Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654, Attn: Catherine Steege, Esq. (csteege@jenner.com) and Melissa Root, Esq. (mroot@jenner.com);

- ix. attorneys for the Official Committee of Retired Employees, Bennazar, García & Milián, C.S.P., Edificio Union Plaza, PH-A, 416 Ave. Ponce de León, Hato Rey, PR 00918, Attn: A.J. Bennazar-Zequeira, Esq. (ajb@bennazar.org);
- x. the Puerto Rico Department of Treasury, PO Box 9024140, San Juan, PR 00902-4140, Attn: Reylam Guerra Goderich, Deputy Assistant of Central Accounting (Reylam.Guerra@hacienda.pr.gov); Omar E. Rodríguez Pérez, CPA, Assistant Secretary of Central Accounting (Rodriguez.Omar@hacienda.pr.gov); Angel L. Pantoja Rodríguez, Deputy Assistant Secretary of Internal Revenue and Tax Policy (angel.pantoja@hacienda.pr.gov); Francisco Parés Alicea, Assistant Secretary of Internal Revenue and Tax Policy (francisco.pares@hacienda.pr.gov); and Francisco Peña Montañez, CPA, Assistant Secretary of the Treasury (Francisco.Pena@hacienda.pr.gov);
- xi. attorneys for the Fee Examiner, EDGE Legal Strategies, PSC, 252 Ponce de León Avenue, Citibank Tower, 12th Floor, San Juan, PR 00918, Attn: Eyck O. Lugo (elugo@edgelegalpr.com); and
- xii. attorneys for the Fee Examiner, Godfrey & Kahn, S.C., One East Main Street, Suite 500, Madison, WI 53703, Attn: Katherine Stadler (BWilliamson@gklaw.com; KStadler@gklaw.com).

EXHIBIT A

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

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In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17-04780 (LTS)

PUERTO RICO ELECTRIC POWER
AUTHORITY (“PREPA”),

Debtor.⁷

-----x

**CERTIFICATION OF THOMAS DORHMAN IN SUPPORT OF SIXTH INTERIM FEE
APPLICATION OF MCKINSEY & COMPANY, INC. WASHINGTON D.C. AS
CONSULTING SERVICES PROVIDER TO THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO, AS REPRESENTATIVE OF DEBTOR,
PUERTO RICO ELECTRIC POWER AUTHORITY (“PREPA”) FOR THE PERIOD
FROM FEBRUARY 1, 2019 THROUGH MAY 31, 2019**

I, Thomas Dohrmann, certify as follows:

1. I am a Partner in the firm of McKinsey & Company, Inc. Washington DC (“McKinsey Washington”). I submit this certification with respect to the sixth interim fee application of McKinsey Washington as consulting services provider in the above-captioned case (the “Sixth Interim Fee Application”) for the allowance of compensation for professional services rendered during the relevant application period.
2. I make this certification in accordance with the *Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, entered on June 6, 2018 [Docket No. 3269] (the “Interim Compensation Order”).
3. In connection therewith, I hereby certify that:
 - (a) I have read the Sixth Interim Fee Application;
 - (b) To the best of my knowledge, information and belief formed after reasonable inquiry, the fees sought in the Sixth Interim Fee Application are in substantial compliance

⁷ The last four (4) digits of PREPA’s federal tax identification number are 3747.

with the Interim Compensation Order and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, adopted on January 30, 1996; and

- (c) The Debtor, the United States Trustee, the Official Committee of Unsecured Creditors and the Official Committee of Retirees of the Debtor have been provided with a copy of the Sixth Interim Fee Application simultaneously with the filing thereof, and will have at least ten (10) days to review such Sixth Interim Fee Application prior to any objection deadline with respect thereto.

Dated: July 15, 2019
Washington, DC

/s/ Thomas Dohrmann

Thomas Dohrmann, Partner
McKinsey & Company, Inc. Washington DC
1200 19th Street NW Suite 1100
Washington DC 20036
Telephone: (202) 662 0078
Email: Thomas_Dohrmann@mckinsey.com

EXHIBIT B

PROPRIETARY and CONFIDENTIAL

CONSULTING AGREEMENT

McKinsey & Company, Inc. Washington D.C. ("McKinsey") and **The Financial Oversight and Management Board for Puerto Rico** (the "Board" or the "Client") hereby enter into the following terms effective July 3, 2017 in connection with consulting services that McKinsey provides to Client for Strategic Consulting support related to the Title III Litigation(the "Services").

1. **SERVICES**. The working arrangements, including scope of the Services and Deliverables (as defined below) will be described in each mutually-executed Scope of Work, attached hereto as individual Attachments and incorporated herein, and cannot be materially amended without mutual agreement of the Parties. In order to be able to complete the Services within the agreed timeframe and budget and to fulfill its responsibilities on a timely basis, McKinsey will rely on the Client's timely cooperation, including the Client and the Government of Puerto Rico's making available relevant data, information and personnel, performing any tasks or responsibilities assigned to the Client or the Government of Puerto Rico and notifying McKinsey of any issues or concerns the Client may have relating to the Services. The Client is solely responsible for ensuring that the Government of Puerto Rico cooperates with responding to requests for purposes of the Services. The parties will meet at mutually agreed times to discuss the progress of the Services and to exchange feedback. During the course of the Services, priorities may shift or unexpected events may occur which may necessitate changes to the Services. In this event, the parties will jointly discuss the anticipated impact on the Services and agree on any appropriate adjustments, including to the scope of work, timeframe and budget.

2. **COMPENSATION**. The Client shall compensate McKinsey on a Firm Fixed Price basis in connection with the Services, as set forth in the Attachments. Any payments made by the Board to McKinsey hereunder are expressed net of any deductions or withholdings that may be applicable in respect of taxes, duties or levies and the Client will pay those amounts to McKinsey, in cleared funds. The parties agree that McKinsey is solely responsible for any applicable withholding and payment of taxes with respect to McKinsey Personnel as required by law. Neither party undertakes, pursuant to his Agreement or otherwise, to perform or discharge any liability or obligation of the other party, whether regulatory or contractual, or to assume any responsibility whatsoever for the conduct of the business or operations of the other party. Consistent with the public purpose of the Client's mandate, this Agreement will be made publicly available subject to Section 5 below. McKinsey will invoice the Client for Deliverables in connection with the Services monthly or as otherwise set forth in the applicable Proposal. Except for Services provided under retainer, all invoices are to be paid in accordance with the court order setting procedures for interim compensation and reimbursement of professionals.

3. **CONFIDENTIALITY**. Subject to applicable public disclosure laws and the disclosure procedures established by Client that do not otherwise conflict with terms in this agreement, each Party agrees to keep confidential any confidential information furnished by either Party in connection with the Services ("Confidential Information"); provided, however, that the Client may disclose Confidential Information from McKinsey as necessary or desirable to carry out its statutory duties. The Client agrees to provide McKinsey prior notice of its intent to disclose Confidential Information from McKinsey. Without the Client's explicit consent, McKinsey will disclose Confidential Information only to its employees, agents and contractors who have a need to know and are bound to keep it confidential and will use Confidential Information only for purposes of performing the Services. Confidential Information shall be all information other than information that is (i) or becomes publicly available other than as a result of a breach of this agreement, (ii) already known to the Receiving Party, (iii) independently acquired or developed by the Receiving Party without violating any of its obligations under this agreement, or (iv) is legally required to be disclosed. All documents supplied by the Receiving Party Client in connection with the services hereunder will, upon written request, be returned by the Receiving Party to the Disclosing Party or destroyed, provided that the Receiving Party may retain a copy for archival purposes. In performing the Services, McKinsey will use and rely primarily on the Confidential Information and on information available from public sources without having independently verified the same and does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information and Section 5 herein.

4. **INTELLECTUAL PROPERTY**. Upon payment in full of McKinsey's Fees associated with the relevant Services, the Client will own all reports, financial models and other deliverables prepared for and furnished to the Client by McKinsey in connection with the Services (the "Deliverables"), save that McKinsey retains ownership of all concepts, know-how, tools, frameworks, models, and industry perspectives developed or enhanced outside of or in connection with the Services (the "McKinsey Tools"), it being understood that none of the McKinsey Tools will contain the Client's

Confidential Information. To the extent the Deliverables include any McKinsey Tools, McKinsey hereby grants the Client a non-exclusive, non-transferable, non-sublicenseable, worldwide, royalty-free license to use and copy the McKinsey Tools solely as part of the Deliverables and subject to the limitations herein on disclosure of McKinsey materials and publicity.

5. DISCLOSURE OF McKINSEY MATERIALS; PUBLICITY. McKinsey's work for the Client is confidential and for the Client's internal use only; provided, however, the Client may disclose such work to the extent such disclosure is necessary or desirable to carrying out the Client's statutory duties. The Client agrees that it will not disclose McKinsey's name in relation to any disclosure of work hereunder without McKinsey's consent. McKinsey will not disclose the Deliverables to any third parties (including any non-voting Board members) without the Client's prior written permission. McKinsey further agrees not to use the Client's name in any communication with any third party without the other party's prior written permission, including in press releases or other public announcements. If the Client receives a public records request for Deliverables or other documents containing McKinsey information, the Client will allow McKinsey the ability to review the documents prior to disclosure to advise if the documents contain information subject to an exception or exemption to the relevant public records law.

6. SERVING COMPETITORS. It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. Consistent with such practice and McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with the Client about McKinsey's serving the Client's competitors or other parties. To avoid situations of potential conflict, McKinsey will not, for a period of one year following an engagement for the Client, assign any consultant who receives Confidential Information in connection with such engagement to a competitively sensitive project, including a directly-conflicting engagement with the Government of Puerto Rico. Notwithstanding the foregoing, the Client understands and agrees that so long as McKinsey has appropriate procedures in place to mitigate any potential conflict, it may serve the Government of Puerto Rico on related matters.

7. INDEMNIFICATION.

(a) Deliverables produced hereunder are not intended as a substitute for financial, investment, legal, accounting or other professional advice, and McKinsey does not intend to supplant the Client or the Government of Puerto Rico's management or other decision-making bodies.

(b) The Client and the Government of Puerto Rico remain solely responsible for its decisions, actions, use of the Deliverables and compliance with applicable laws, rules and regulations. McKinsey agrees to indemnify and hold the Client harmless from and against all loss, liability, damage, cost, or expense (including reasonable attorney fees) ("Losses") to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(c) The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) relating to the Services (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services), except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(d) The Client further indemnifies McKinsey, including any member, officer or employee thereof including but not limited to the Revitalization Coordination role, in any instance where it is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with such action, suit or proceeding, unless it acted with bad faith or engaged in intentional misconduct and, with respect to any criminal action or proceeding, unless it knew or should have known the conduct was unlawful. The termination of any act, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that McKinsey (or any of its members, officers or employees) did not satisfy these standards.

Neither party will be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages. In no event shall McKinsey's liability to the Client in connection with the Services relating to an engagement for the Client exceed the amount paid to McKinsey by the Client in connection with such engagement.

8. **AUTHORITY OF THE BOARD.** The Client represents and warrants it has the authority to enter into this Agreement for the Services. In the event that it is determined that the Client did not have authority to authorize all or part of this agreement, McKinsey may make the sole determination as to whether to terminate the Agreement according to Section 10 herein, or continue with those parts of the Services for which the Client does have authority. The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) resulting from a breach of this Section 8 and/or a misrepresentation by the Client of authority to act (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services).

9. **CONFLICTS OF INTEREST.** The Client agrees that performance of Services hereunder shall not conflict McKinsey from serving the Government of Puerto Rico or any stakeholders to the work, subject to the restrictions in Section 6 – "Serving Competitors."

10. **TERM AND TERMINATION.** This agreement takes effect on the date the Services commenced and shall continue until terminated in accordance with its terms. Either party may terminate the Services at any time effective upon 30 days written notice to the other. In the event of any termination, the Client will pay McKinsey for the work completed up to the effective date of termination.

11. **MISCELLANEOUS.** This agreement and the Proposals constitute the entire agreement between the parties, and there are no prior or contemporaneous oral or written representations, understandings or agreements relating to this subject matter that are not fully expressed herein or therein. This agreement and the Proposals shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles and shall inure to the benefit of and be binding on the successors and assigns of the Client and McKinsey. The following Sections shall survive the completion or any termination of the Services: 3 (Confidentiality), 4 (Intellectual Property), 5 (Disclosure of McKinsey Materials; Publicity), 6 (Serving Competitors), 7 (Indemnification), 8 (Term and Termination) and 9 (Miscellaneous) and any other provision which by law or by its nature should survive. Neither party may assign its rights or obligations under this agreement to any person or entity without the written consent of the other party, not to be unreasonably withheld, provided, however, that either party may assign its rights and obligations under this agreement to its affiliates upon reasonable written notice to the other party but without the written consent of the other party. Assignment shall not relieve either party of its obligations hereunder. McKinsey is an independent contractor and not the Client's agent or fiduciary. Notwithstanding any course of dealings of the parties at any time or any statement to the contrary contained therein, no purchase order, invoice or other similar document issued by a party shall be construed to modify the terms of this agreement. Rights and remedies provided in this agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.

The Financial Oversight and Management Board for Puerto Rico McKinsey & Company, Inc., Washington D.C.
(Client)



Name: Natalie A. Jaresko
Title: Executive Director
Date: Sept. 12, 2017



Name: Tyler Duvall
Title: Partner
Date: September 8, 2017

ATTACHMENT 1
Scope of Work
For
Commonwealth Title III Support

Services:

In regards to support for the Commonwealth Title III proceedings to the Board to include:

Activities:

- Participation in and coordination of cross advisor meetings (Board, Commonwealth and/or Stakeholders) regarding Title III related matters
- Preparation of materials necessary for supporting Fiscal Plan litigation, which could include:
 - Assemble fact base regarding process for creation, stress testing and certification of the fiscal plan
 - Assemble fact base regarding additional analyses created for the FOMB with respect to evaluating/stress testing the FY18 fiscal plan
 - Collect and summarize key input sources and supporting analysis for key fiscal plan assumptions
 - Assemble fact base regarding process and supporting analysis used to identify and evaluate key measures proposed and finally included in the fiscal plan
 - Prepare and/or evaluate alternative fiscal plan scenario analyses in support of requested alternative contexts
 - Prepare analyses in support of litigation activities
- As needed, ad-hoc analyses and/or responses to questions regarding litigation or potential litigation relating to the Fiscal Plan or other Commonwealth Title III matters
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverable:

- Monthly report regarding liquidity performance and strategic choices on liquidity related to Title III proceedings and/or ad hoc analysis performed within that month.

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Commonwealth Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for PREPA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to PREPA, McKinsey will support the Board in the following ways:

1. Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for PREPA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the PREPA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead PREPA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with PREPA, AAFAF and its experts and advisors
- Develop transformation plan for PREPA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Detailed action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required (e.g. updated IRP for PREPA)
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board PREPA subcommittee to provide updates and take guidance on PREPA transformation and Title III
- Monitor implementation of all aspects of the PREPA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

- Conduct limited market engagement as necessary to identify potential privatization options for PREPA
- Lead development of an integrated resource plan for PREPA to support the Transformation Plan in coordination with PREC and PREPA
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for HTA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance
- Support litigation related to the HTA proceedings, which has commenced

- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$720,000 per month and will continue so long as the HTA Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support, this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

**FIRST AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS FIRST AMENDMENT to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

WHEREAS, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

WHEREAS, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

IN WITNESS WHEREOF, the parties have executed this First Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico**


Name: Natalie A. Jaresko
Title: Executive Director
Date:

McKinsey & Company, Inc., Washington D.C.


Name: Tyler Duval
Title: Principal
Date: March 8, 2018

AMENDED ATTACHMENT 1
Scope of Work For Commonwealth Title III Support

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

Support for the Commonwealth Title III proceedings to the Board to include the following:

I. *Measure:*

- Revising fiscal measures contained in the March 13th Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

II. *Baseline and Macro:*

- Reviewing full certified March 13th Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

III. *Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:*

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan

- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

AMENDED ATTACHMENT 3
Scope of Work For Title III Support for HTA

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**

December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

** For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).



**SECOND AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC
AND THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS SECOND AMENDMENT to the Consulting Agreement (the “Second Amendment”) effective date of April 1, 2018, is entered into by and between McKinsey & Company, Inc. Washington D.C. (“McKinsey”) and The Financial Oversight and Management Board for Puerto Rico (the “Board” or the “Client”) (together, the “Parties”).

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the “Consulting Agreement”) for strategic consulting support related to Commonwealth Title III Support (the “Services”); and

WHEREAS, effective November 1, 2017, the Parties amended the Consulting Agreement to expand the scope of services to support the Board in connection with the required re-construction of the fiscal plan post-Hurricane (the “First Amendment”); and

WHEREAS, the Parties now desire to make additional amendments the Consulting Agreement to extend its duration and make modifications to the scope of services, as set forth below; and

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

For both “Commonwealth Title III Support” and “Title III Support for HTA”, the period of performance shall be extended through June 30, 2019. For this period of performance, the scope of services for “Commonwealth Title III Support” is reflected in the “Second Amended Attachment 1 Scope of Work for Commonwealth Title III Support”, attached hereto; and the scope of services for “Title III Support for HTA” is reflected in the “Second Amended Attachment 3 Scope of Work for Title III Support for HTA”, attached hereto. For the avoidance of confusion, “Title III Support for PREPA”, as memorialized in the Consulting Agreement, shall remain unchanged. If additional services, activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This Second Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this Second Amendment. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this Second Amendment, all other terms of the Consulting Agreement and First Amendment shall remain in full force and effect, unaltered and unchanged by this Second Amendment.

IN WITNESS WHEREOF, the parties have executed this Second Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico**



Name: Natalie A. Jaresko
Title: Executive Director

McKinsey & Company, Inc., Washington D.C.



Name: Tyler Duvall
Title Partner

SECOND AMENDED ATTACHMENT 3
Scope of Work for Title III Support for HTA

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Title III Support for HTA.

From **May 2018 – June 2019**, the scope of work shall be as follows:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational efficiency measures focused on near and immediate term actions to maintain sustainable operations
 - Capex program priorities and efficiency measures
 - Opportunities to increase revenues
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure and implementation plans
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$425,000
May 2018 – June 2019	\$310,000/month

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

SECOND AMENDED ATTACHMENT 1
Scope of Work for Commonwealth Title III Support

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Commonwealth Title III Support.

From **May 2018 – June 2019**, the scope of work shall be as follows:

Support for the Commonwealth Title III proceedings to the Board to include the following:

Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meeting
- Prepare content and analyses and work alongside FOMB, government and stakeholders advisors with regards to development of Plan(s) of Adjustment
- Lead preparation of “best interests” analysis in coordination with other FOMB advisors
- Lead any further development, refinement or updates to fiscal plan and/or models working with Board staff, the Board and the Government
- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan
- Prepare analyses, support FOMB counsel and lead coordination of information diligence related to potential litigation involving the certified Fiscal Plan and/or other CW Title III matters
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony. If additional expert testimony is required, the Parties will negotiate additional fees.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$1,940,000
May 2018 – June 2019	\$1,417,500/month

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

EXHIBIT C

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

-----x
In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17-04780 (LTS)

PUERTO RICO ELECTRIC POWER
AUTHORITY (“PREPA”),

Debtors.¹

-----x

**FOURTEENTH MONTHLY FEE STATEMENT
OF MCKINSEY & COMPANY, INC. WASHINGTON D.C. FOR COMPENSATION
FOR SERVICES RENDERED TO THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO, AS REPRESENTATIVE OF
DEBTORS, PUERTO RICO ELECTRIC POWER AUTHORITY (“PREPA”)
FOR THE PERIOD FEBRUARY 1, 2019 THROUGH FEBRUARY 28, 2019**

Name of Professional: McKinsey & Company, Inc. Washington D.C.
(“McKinsey Washington”)

Authorized to Provide Services to: The Financial Oversight and Management Board for
Puerto Rico, as Representative of the Debtors
Pursuant to PROMESA Section 315(b)

Period for which compensation
and reimbursement is sought: February 1, 2019 - February 28, 2019

Amount of compensation sought
as actual, reasonable and necessary: \$740,000.00

Amount of expense reimbursement sought
sought as actual, reasonable and necessary²: \$0.00

Type of Fee Statement: Fourteenth Monthly Fee Statement:
Title III Support for PREPA³

¹ The last four (4) digits of PREPA’s federal tax identification number are 3747.

² McKinsey Washington provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

³ Notice of this Fourteenth Monthly Fee Statement (as defined herein) has been served in accordance with the Interim Compensation Procedures (as defined herein) and objections to payment of the amounts described in this Fourteenth Monthly Fee Statement shall be addressed in accordance with the Interim Compensation Procedures.

1. Pursuant to the *Interim Compensation Procedures*, first entered by the Court on November 8, 2017 [*First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 1715] and amended on June 6, 2018 [*Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 3269] (the “*Interim Compensation Procedures*”), the applicable provisions of the United States Code (the “*Bankruptcy Code*”), the Federal Rules of Bankruptcy Procedure (the “*Bankruptcy Rules*”), and the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Puerto Rico (the “*Local Rules*”), McKinsey & Company, Inc. Washington DC (“*McKinsey Washington*”), strategic consultants to The Financial Oversight And Management Board For Puerto Rico, as representative of Debtors, Puerto Rico Electric Power Authority (“*PREPA*”, the “*Debtors*” or the “*Board*”), hereby serves this Fourteenth Monthly Fee Statement for the allowance of compensation for reasonable and necessary strategic consulting services and support that *McKinsey Washington* provided during the month of February 2019 (the “*Fee Period*”) pursuant to the “*Title III Support for PREPA*” Scope of Work (“*PREPA Scope of Work*”) of the consulting agreement entered into between *McKinsey Washington* and the *Board* for consulting services in support of the Title III litigation (Contract dated July 3, 2017, with Amendment No. 1 effective November 1, 2017 and Amendment No. 2 effective April 1, 2018) (the “*Consulting Agreement*”), attached hereto as Exhibit A. Pursuant to the *Interim Compensation Procedures*, *Bankruptcy Code*, the *Bankruptcy Rules* and the *Local Rules*, a Certification of Thomas Dohrmann, a Senior Partner of *McKinsey Washington*, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit B, and a Certification of Natalie Jaresko, Executive Director of the *Board*, authorizing the submission of this Fourteenth Monthly Fee Statement, is attached as Exhibit C.

2. By this Fourteenth Monthly Fee Statement: Title III Support for PREPA, McKinsey Washington seeks allowance of compensation for services rendered under the Consulting Agreement during the Fee Period in the amount of \$666,000.00 (which equals 90% of the compensation sought herein, in accordance with Section 2.c of the Interim Compensation Order).

Summary of Services Rendered During the Fee Period

3. During the Fee Period, McKinsey Washington provided a focused range of professional services as requested by the Board and reflected in the PREPA Scope of Work.⁴
4. Included at Exhibit D is a detailed summary of McKinsey Washington's scope of services, deliverables and team member activities performed pursuant to the PREPA Scope of Work during the Fee Period. Exhibit D also specifically identifies the McKinsey Washington team members who performed services during the Fee Period.
5. Included at Exhibit E is a copy of McKinsey Washington's monthly invoice⁵ for fees incurred during the Fee Period pursuant to the PREPA Scope of Work. As reflected in Exhibit E, McKinsey Washington incurred \$740,000.00 in fees during the Fee Period, and now seeks reimbursement for 90% of such fees (\$666,000.00).
6. McKinsey Washington's fees – as agreed-upon in the Consulting Agreement and reflected in the invoice – are based on the usual and customary fees McKinsey Washington charges to clients and are commensurate with the services performed.

⁴ McKinsey Washington is simultaneously serving separate monthly fee statements for services rendered pursuant to the other two (2) Scopes of Work under the Consulting Agreement.

⁵ The invoice included at Exhibit E reflects Puerto Rico withholding tax (29%). McKinsey Washington has calculated the proportion of work performed in Puerto Rico in a manner that is consistent with the terms of the Consulting Agreement.

7. The efforts expended by McKinsey Washington during the Fee Period have been commensurate with the size and complexity of these cases. In rendering these services, McKinsey Washington has made every effort to maximize the benefit to the Debtors, to work efficiently with the other professionals employed in these cases, and to leverage staff appropriately in order to minimize duplication of effort.
8. McKinsey Washington respectfully submits that the amounts applied for herein for professional services rendered on behalf of the Board in these cases to date are fair and reasonable given: (a) the time expended; (b) the nature and extent of the services performed at the time at which such services were rendered; and (c) the value of such services.

Representations

9. While every effort has been made to include all fees incurred by McKinsey Washington during the Fee Period, some fees may not be included in this Fourteenth Monthly Fee Statement: Title III Support for PREPA due to certain unavoidable delays caused by accounting and processing during the Fee Period. McKinsey Washington reserves the right to make further application(s) for allowance of such fees not included herein. Subsequent fee statements and applications will be filed in accordance with the Interim Compensation Procedures, the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules.

Notice

10. Notice of this Fourteenth Monthly Fee Statement: Title III Support for PREPA has been or will be provided by overnight delivery or e-mail to:
 - i. attorneys for the Oversight Board, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, Attn: Martin J. Bienenstock, Esq. (mbienenstock@proskauer.com) and Ehud Barak, Esq. (ebarak@proskauer.com), and Proskauer Rose LLP, 70 West Madison

- Street, Chicago, IL 60602, Attn: Paul V. Possinger, Esq. (ppossinger@proskauer.com);
- ii. attorneys for the Oversight Board, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918, Attn: Hermann D. Bauer, Esq. (hermann.bauer@oneillborges.com);
 - iii. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, NY 10036, Attn: John J. Rapisardi, Esq. (jrapisardi@omm.com), Suzanne Uhland, Esq. (suhland@omm.com), and Diana M. Perez, Esq. (dperez@omm.com);
 - iv. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, Marini Pietrantoni Muñiz LLC, MCS Plaza, Suite 500, 255 Ponce de León Ave, San Juan, PR 00917, Attn: Luis C. Marini-Biaggi, Esq. (lmarini@mpmlawpr.com) and Carolina Velaz-Rivero Esq. (cvelaz@mpmlawpr.com);
 - v. the Office of the United States Trustee for the District of Puerto Rico, Edificio Ochoa, 500 Tanca Street, Suite 301, San Juan, PR 00901 (re: In re: Commonwealth of Puerto Rico);
 - vi. attorneys for the Official Committee of Unsecured Creditors, Paul Hastings LLP, 200 Park Ave., New York, NY 10166, Attn: Luc. A Despins, Esq. (lucdespins@paulhastings.com);
 - vii. attorneys for the Official Committee of Unsecured Creditors, Casillas, Santiago & Torres LLC, El Caribe Office Building, 53 Palmeras Street, Ste. 1601, San Juan, PR 00901, Attn: Juan J. Casillas Ayala, Esq. (jcasillas@cstlawpr.com) and Alberto J.E. Añeses Negrón, Esq. (aanezes@cstlawpr.com);
 - viii. attorneys for the Official Committee of Retired Employees, Jenner & Block LLP, 919 Third Ave., New York, NY 10022, Attn: Robert Gordon, Esq. (rgordon@jenner.com) and Richard Levin, Esq. (rlevin@jenner.com), and Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654, Attn: Catherine Steege, Esq. (csteege@jenner.com) and Melissa Root, Esq. (mroot@jenner.com);
 - ix. attorneys for the Official Committee of Retired Employees, Bennazar, García & Milián, C.S.P., Edificio Union Plaza, PH-A, 416 Ave. Ponce de León, Hato Rey, PR 00918, Attn: A.J. Bennazar-Zequera, Esq. (ajb@bennazar.org);
 - x. the Puerto Rico Department of Treasury, PO Box 9024140, San Juan, PR 00902-4140, Attn: Reylam Guerra Goderich, Deputy Assistant of Central

Accounting (Reylam.Guerra@hacienda.pr.gov); Omar E. Rodríguez Pérez, CPA, Assistant Secretary of Central Accounting (Rodriguez.Omar@hacienda.pr.gov); Angel L. Pantoja Rodríguez, Deputy Assistant Secretary of Internal Revenue and Tax Policy (angel.pantoja@hacienda.pr.gov); Francisco Parés Alicea, Assistant Secretary of Internal Revenue and Tax Policy (francisco.pares@hacienda.pr.gov); and Francisco Peña Montañez, CPA, Assistant Secretary of the Treasury (Franciso.Pena@hacienda.pr.gov);

- xi. attorneys for the Fee Examiner, EDGE Legal Strategies, PSC, 252 Ponce de León Avenue, Citibank Tower, 12th Floor, San Juan, PR 00918, Attn: Eyck O. Lugo (elugo@edgelegalpr.com); and
- xii. attorneys for the Fee Examiner, Godfrey & Kahn, S.C., One East Main Street, Suite 500, Madison, WI 53703, Attn: Katherine Stadler (KStadler@gklaw.com).

WHEREFORE, McKinsey Washington respectfully requests payment by the Debtors of \$666,000.00, representing 90% of its fees incurred during the Fee Period and requested herein.

Dated: June 19, 2019
McKinsey & Company, Inc. Washington DC
Washington DC

s/Thomas Dohrmann
Thomas Dohrmann
Senior Partner
McKinsey & Company, Inc. Washington DC
1200 19th St NW #1000
Washington, DC 20036
Telephone: (202) 662-3100
Email: Thomas_Dohrmann@McKinsey.com

Strategic Consultant to the Debtors

EXHIBIT A

Consulting Agreement

PROPRIETARY and CONFIDENTIAL

CONSULTING AGREEMENT

McKinsey & Company, Inc. Washington D.C. ("McKinsey") and **The Financial Oversight and Management Board for Puerto Rico** (the "Board" or the "Client") hereby enter into the following terms effective July 3, 2017 in connection with consulting services that McKinsey provides to Client for Strategic Consulting support related to the Title III Litigation(the "Services").

1. **SERVICES**. The working arrangements, including scope of the Services and Deliverables (as defined below) will be described in each mutually-executed Scope of Work, attached hereto as individual Attachments and incorporated herein, and cannot be materially amended without mutual agreement of the Parties. In order to be able to complete the Services within the agreed timeframe and budget and to fulfill its responsibilities on a timely basis, McKinsey will rely on the Client's timely cooperation, including the Client and the Government of Puerto Rico's making available relevant data, information and personnel, performing any tasks or responsibilities assigned to the Client or the Government of Puerto Rico and notifying McKinsey of any issues or concerns the Client may have relating to the Services. The Client is solely responsible for ensuring that the Government of Puerto Rico cooperates with responding to requests for purposes of the Services. The parties will meet at mutually agreed times to discuss the progress of the Services and to exchange feedback. During the course of the Services, priorities may shift or unexpected events may occur which may necessitate changes to the Services. In this event, the parties will jointly discuss the anticipated impact on the Services and agree on any appropriate adjustments, including to the scope of work, timeframe and budget.

2. **COMPENSATION**. The Client shall compensate McKinsey on a Firm Fixed Price basis in connection with the Services, as set forth in the Attachments. Any payments made by the Board to McKinsey hereunder are expressed net of any deductions or withholdings that may be applicable in respect of taxes, duties or levies and the Client will pay those amounts to McKinsey, in cleared funds. The parties agree that McKinsey is solely responsible for any applicable withholding and payment of taxes with respect to McKinsey Personnel as required by law. Neither party undertakes, pursuant to his Agreement or otherwise, to perform or discharge any liability or obligation of the other party, whether regulatory or contractual, or to assume any responsibility whatsoever for the conduct of the business or operations of the other party. Consistent with the public purpose of the Client's mandate, this Agreement will be made publicly available subject to Section 5 below. McKinsey will invoice the Client for Deliverables in connection with the Services monthly or as otherwise set forth in the applicable Proposal. Except for Services provided under retainer, all invoices are to be paid in accordance with the court order setting procedures for interim compensation and reimbursement of professionals.

3. **CONFIDENTIALITY**. Subject to applicable public disclosure laws and the disclosure procedures established by Client that do not otherwise conflict with terms in this agreement, each Party agrees to keep confidential any confidential information furnished by either Party in connection with the Services ("Confidential Information"); provided, however, that the Client may disclose Confidential Information from McKinsey as necessary or desirable to carry out its statutory duties. The Client agrees to provide McKinsey prior notice of its intent to disclose Confidential Information from McKinsey. Without the Client's explicit consent, McKinsey will disclose Confidential Information only to its employees, agents and contractors who have a need to know and are bound to keep it confidential and will use Confidential Information only for purposes of performing the Services. Confidential Information shall be all information other than information that is (i) or becomes publicly available other than as a result of a breach of this agreement, (ii) already known to the Receiving Party, (iii) independently acquired or developed by the Receiving Party without violating any of its obligations under this agreement, or (iv) is legally required to be disclosed. All documents supplied by the Receiving Party Client in connection with the services hereunder will, upon written request, be returned by the Receiving Party to the Disclosing Party or destroyed, provided that the Receiving Party may retain a copy for archival purposes. In performing the Services, McKinsey will use and rely primarily on the Confidential Information and on information available from public sources without having independently verified the same and does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information and Section 5 herein.

4. **INTELLECTUAL PROPERTY**. Upon payment in full of McKinsey's Fees associated with the relevant Services, the Client will own all reports, financial models and other deliverables prepared for and furnished to the Client by McKinsey in connection with the Services (the "Deliverables"), save that McKinsey retains ownership of all concepts, know-how, tools, frameworks, models, and industry perspectives developed or enhanced outside of or in connection with the Services (the "McKinsey Tools"), it being understood that none of the McKinsey Tools will contain the Client's

Confidential Information. To the extent the Deliverables include any McKinsey Tools, McKinsey hereby grants the Client a non-exclusive, non-transferable, non-sublicenseable, worldwide, royalty-free license to use and copy the McKinsey Tools solely as part of the Deliverables and subject to the limitations herein on disclosure of McKinsey materials and publicity.

5. DISCLOSURE OF McKINSEY MATERIALS; PUBLICITY. McKinsey's work for the Client is confidential and for the Client's internal use only; provided, however, the Client may disclose such work to the extent such disclosure is necessary or desirable to carrying out the Client's statutory duties. The Client agrees that it will not disclose McKinsey's name in relation to any disclosure of work hereunder without McKinsey's consent. McKinsey will not disclose the Deliverables to any third parties (including any non-voting Board members) without the Client's prior written permission. McKinsey further agrees not to use the Client's name in any communication with any third party without the other party's prior written permission, including in press releases or other public announcements. If the Client receives a public records request for Deliverables or other documents containing McKinsey information, the Client will allow McKinsey the ability to review the documents prior to disclosure to advise if the documents contain information subject to an exception or exemption to the relevant public records law.

6. SERVING COMPETITORS. It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. Consistent with such practice and McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with the Client about McKinsey's serving the Client's competitors or other parties. To avoid situations of potential conflict, McKinsey will not, for a period of one year following an engagement for the Client, assign any consultant who receives Confidential Information in connection with such engagement to a competitively sensitive project, including a directly-conflicting engagement with the Government of Puerto Rico. Notwithstanding the foregoing, the Client understands and agrees that so long as McKinsey has appropriate procedures in place to mitigate any potential conflict, it may serve the Government of Puerto Rico on related matters.

7. INDEMNIFICATION.

(a) Deliverables produced hereunder are not intended as a substitute for financial, investment, legal, accounting or other professional advice, and McKinsey does not intend to supplant the Client or the Government of Puerto Rico's management or other decision-making bodies.

(b) The Client and the Government of Puerto Rico remain solely responsible for its decisions, actions, use of the Deliverables and compliance with applicable laws, rules and regulations. McKinsey agrees to indemnify and hold the Client harmless from and against all loss, liability, damage, cost, or expense (including reasonable attorney fees) ("Losses") to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(c) The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) relating to the Services (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services), except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(d) The Client further indemnifies McKinsey, including any member, officer or employee thereof including but not limited to the Revitalization Coordination role, in any instance where it is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with such action, suit or proceeding, unless it acted with bad faith or engaged in intentional misconduct and, with respect to any criminal action or proceeding, unless it knew or should have known the conduct was unlawful. The termination of any act, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that McKinsey (or any of its members, officers or employees) did not satisfy these standards.

Neither party will be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages. In no event shall McKinsey's liability to the Client in connection with the Services relating to an engagement for the Client exceed the amount paid to McKinsey by the Client in connection with such engagement.

8. **AUTHORITY OF THE BOARD.** The Client represents and warrants it has the authority to enter into this Agreement for the Services. In the event that it is determined that the Client did not have authority to authorize all or part of this agreement, McKinsey may make the sole determination as to whether to terminate the Agreement according to Section 10 herein, or continue with those parts of the Services for which the Client does have authority. The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) resulting from a breach of this Section 8 and/or a misrepresentation by the Client of authority to act (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services).

9. **CONFLICTS OF INTEREST.** The Client agrees that performance of Services hereunder shall not conflict McKinsey from serving the Government of Puerto Rico or any stakeholders to the work, subject to the restrictions in Section 6 – "Serving Competitors."

10. **TERM AND TERMINATION.** This agreement takes effect on the date the Services commenced and shall continue until terminated in accordance with its terms. Either party may terminate the Services at any time effective upon 30 days written notice to the other. In the event of any termination, the Client will pay McKinsey for the work completed up to the effective date of termination.

11. **MISCELLANEOUS.** This agreement and the Proposals constitute the entire agreement between the parties, and there are no prior or contemporaneous oral or written representations, understandings or agreements relating to this subject matter that are not fully expressed herein or therein. This agreement and the Proposals shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles and shall inure to the benefit of and be binding on the successors and assigns of the Client and McKinsey. The following Sections shall survive the completion or any termination of the Services: 3 (Confidentiality), 4 (Intellectual Property), 5 (Disclosure of McKinsey Materials; Publicity), 6 (Serving Competitors), 7 (Indemnification), 8 (Term and Termination) and 9 (Miscellaneous) and any other provision which by law or by its nature should survive. Neither party may assign its rights or obligations under this agreement to any person or entity without the written consent of the other party, not to be unreasonably withheld, provided, however, that either party may assign its rights and obligations under this agreement to its affiliates upon reasonable written notice to the other party but without the written consent of the other party. Assignment shall not relieve either party of its obligations hereunder. McKinsey is an independent contractor and not the Client's agent or fiduciary. Notwithstanding any course of dealings of the parties at any time or any statement to the contrary contained therein, no purchase order, invoice or other similar document issued by a party shall be construed to modify the terms of this agreement. Rights and remedies provided in this agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.

The Financial Oversight and Management Board for Puerto Rico McKinsey & Company, Inc., Washington D.C.
(Client)



Name: Natalie A. Jaresko
Title: Executive Director
Date: Sept. 12, 2017



Name: Tyler Duvall
Title: Partner
Date: September 8, 2017

ATTACHMENT 1
Scope of Work
For
Commonwealth Title III Support

Services:

In regards to support for the Commonwealth Title III proceedings to the Board to include:

Activities:

- Participation in and coordination of cross advisor meetings (Board, Commonwealth and/or Stakeholders) regarding Title III related matters
- Preparation of materials necessary for supporting Fiscal Plan litigation, which could include:
 - Assemble fact base regarding process for creation, stress testing and certification of the fiscal plan
 - Assemble fact base regarding additional analyses created for the FOMB with respect to evaluating/stress testing the FY18 fiscal plan
 - Collect and summarize key input sources and supporting analysis for key fiscal plan assumptions
 - Assemble fact base regarding process and supporting analysis used to identify and evaluate key measures proposed and finally included in the fiscal plan
 - Prepare and/or evaluate alternative fiscal plan scenario analyses in support of requested alternative contexts
 - Prepare analyses in support of litigation activities
- As needed, ad-hoc analyses and/or responses to questions regarding litigation or potential litigation relating to the Fiscal Plan or other Commonwealth Title III matters
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverable:

- Monthly report regarding liquidity performance and strategic choices on liquidity related to Title III proceedings and/or ad hoc analysis performed within that month.

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Commonwealth Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for PREPA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to PREPA, McKinsey will support the Board in the following ways:

1. Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for PREPA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the PREPA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead PREPA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with PREPA, AAFAF and its experts and advisors
- Develop transformation plan for PREPA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Detailed action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required (e.g. updated IRP for PREPA)
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board PREPA subcommittee to provide updates and take guidance on PREPA transformation and Title III
- Monitor implementation of all aspects of the PREPA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

- Conduct limited market engagement as necessary to identify potential privatization options for PREPA
- Lead development of an integrated resource plan for PREPA to support the Transformation Plan in coordination with PREC and PREPA
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for HTA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance
- Support litigation related to the HTA proceedings, which has commenced

- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$720,000 per month and will continue so long as the HTA Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support, this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

**FIRST AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS FIRST AMENDMENT to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

WHEREAS, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

WHEREAS, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

IN WITNESS WHEREOF, the parties have executed this First Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico**


Name: Natalie A. Jaresko
Title: Executive Director
Date:

McKinsey & Company, Inc., Washington D.C.


Name: Tyler Duval
Title: Principal
Date: March 8, 2018

AMENDED ATTACHMENT 1
Scope of Work For Commonwealth Title III Support

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

Support for the Commonwealth Title III proceedings to the Board to include the following:

I. *Measure:*

- Revising fiscal measures contained in the March 13th Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

II. *Baseline and Macro:*

- Reviewing full certified March 13th Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

III. *Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:*

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan

- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

AMENDED ATTACHMENT 3
Scope of Work For Title III Support for HTA

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**

December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

** For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).



**SECOND AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC
AND THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS SECOND AMENDMENT to the Consulting Agreement (the “Second Amendment”) effective date of April 1, 2018, is entered into by and between McKinsey & Company, Inc. Washington D.C. (“McKinsey”) and The Financial Oversight and Management Board for Puerto Rico (the “Board” or the “Client”) (together, the “Parties”).

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the “Consulting Agreement”) for strategic consulting support related to Commonwealth Title III Support (the “Services”); and

WHEREAS, effective November 1, 2017, the Parties amended the Consulting Agreement to expand the scope of services to support the Board in connection with the required re-construction of the fiscal plan post-Hurricane (the “First Amendment”); and

WHEREAS, the Parties now desire to make additional amendments the Consulting Agreement to extend its duration and make modifications to the scope of services, as set forth below; and

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

For both “Commonwealth Title III Support” and “Title III Support for HTA”, the period of performance shall be extended through June 30, 2019. For this period of performance, the scope of services for “Commonwealth Title III Support” is reflected in the “Second Amended Attachment 1 Scope of Work for Commonwealth Title III Support”, attached hereto; and the scope of services for “Title III Support for HTA” is reflected in the “Second Amended Attachment 3 Scope of Work for Title III Support for HTA”, attached hereto. For the avoidance of confusion, “Title III Support for PREPA”, as memorialized in the Consulting Agreement, shall remain unchanged. If additional services, activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This Second Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this Second Amendment. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this Second Amendment, all other terms of the Consulting Agreement and First Amendment shall remain in full force and effect, unaltered and unchanged by this Second Amendment.

IN WITNESS WHEREOF, the parties have executed this Second Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico**



Name: Natalie A. Jaresko
Title: Executive Director

McKinsey & Company, Inc., Washington D.C.



Name: Tyler Duvall
Title Partner

SECOND AMENDED ATTACHMENT 3
Scope of Work for Title III Support for HTA

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Title III Support for HTA.

From **May 2018 – June 2019**, the scope of work shall be as follows:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational efficiency measures focused on near and immediate term actions to maintain sustainable operations
 - Capex program priorities and efficiency measures
 - Opportunities to increase revenues
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure and implementation plans
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$425,000
May 2018 – June 2019	\$310,000/month

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

SECOND AMENDED ATTACHMENT 1
Scope of Work for Commonwealth Title III Support

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Commonwealth Title III Support.

From **May 2018 – June 2019**, the scope of work shall be as follows:

Support for the Commonwealth Title III proceedings to the Board to include the following:

Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meeting
- Prepare content and analyses and work alongside FOMB, government and stakeholders advisors with regards to development of Plan(s) of Adjustment
- Lead preparation of “best interests” analysis in coordination with other FOMB advisors
- Lead any further development, refinement or updates to fiscal plan and/or models working with Board staff, the Board and the Government
- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan
- Prepare analyses, support FOMB counsel and lead coordination of information diligence related to potential litigation involving the certified Fiscal Plan and/or other CW Title III matters
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony. If additional expert testimony is required, the Parties will negotiate additional fees.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$1,940,000
May 2018 – June 2019	\$1,417,500/month

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

EXHIBIT B

Certification of McKinsey Washington Senior Partner Thomas Dohrmann

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

-----x

In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17-04780 (LTS)

PUERTO RICO ELECTRIC POWER
AUTHORITY (“PREPA”),

(Jointly Administered)

Debtors.

-----x

CERTIFICATION OF THOMAS DOHRMANN

I, Thomas Dohrmann, hereby declare the following under penalty of perjury:

1. I am one of the McKinsey Washington Partners providing consulting services related to the above-captioned Title III case;
2. I have been involved in, and managed the provision of professional services rendered by McKinsey Washington as strategic consultant to The Financial Oversight And Management Board For Puerto Rico, as representative of Debtors and am generally familiar with the work performed by the Partners, managers, associates, and other persons in the Firm;
3. The facts set forth in the foregoing Fourteenth Monthly Fee Statement: Title III Support for PREPA are true and correct to the best of my knowledge, information, and belief;
4. I have reviewed the Interim Compensation Procedures and believe that McKinsey Washington’s Fourteenth Monthly Fee Statement: Title III Support for PREPA complies therewith; and
5. In accordance with Section 11.a. of the Interim Compensation Procedures, I hereby certify as follows:
 - i. No public servant of the Department of Treasury is a party to or has any interest in the gains or benefits derived from the Consulting Agreement (the contract) that is the basis of this invoice;
 - ii. The only consideration for providing services under the Consulting Agreement (the contract) is the payment agreed upon with the authorized representatives of the Debtors;

- iii. The amount of this invoice is reasonable;
- iv. The services were rendered and the corresponding payment has not been made; and
- v. To the best of my knowledge, McKinsey Washington does not have any debts owed to the Government of Puerto Rico or its instrumentalities.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: June 19, 2019
Washington, DC

s/Thomas Dohrmann

Thomas Dohrmann
Senior Partner
McKinsey & Company, Inc. Washington DC

EXHIBIT C

Certification of FOMB Executive Director Natalie Jaresko

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,
et al.

(Jointly Administered)

Debtors.

**CERTIFICATION OF THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO AUTHORIZING SUBMISSION OF MCKINSEY WASHINGTON'S
MONTHLY FEE STATEMENTS FOR THE MONTH OF FEBRUARY 2019**

In accordance with the Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals [Docket Number 3269, June 6, 2018] ("Interim Compensation Procedures"), I hereby certify as follows:

1. I am the Executive Director of The Financial Oversight And Management Board For Puerto Rico ("FOMB");
2. On or about July 3, 2017, on my authorization, FOMB entered into a consulting agreement with McKinsey Washington for consulting services in support of the Title III litigation, which was first amended effective November 1, 2017, and amended again effective April 1, 2018 (the "Consulting Agreement");
3. McKinsey Washington has satisfactorily performed and fulfilled its obligations under the Consulting Agreement for the services provided in February 2019 under each of the three (3) workstreams of the Consulting Agreement, namely "Commonwealth Title III Support", "Title III Support for PREPA", and "Title III Support for HTA"; now, therefore,
4. Pursuant to Section 11.b. of the Interim Compensation Procedures, McKinsey Washington is hereby authorized to submit its Monthly Fee Statements for the allowance of compensation for reasonable and necessary strategic consulting services and support

provided during the month of February 2019, pursuant to each of the three (3) workstreams of the Consulting Agreement, namely “Commonwealth Title III Support”, “Title III Support for PREPA”, and “Title III Support for HTA.”



Dated: June 10, 2019

Natalie Jaresko, Executive Director
The Financial Oversight and
Management Board for Puerto Rico

EXHIBIT D

Title III Support for PREPA

February 2019

Summary of Work

During the month of February, the PREPA Title III team initiated the Fiscal Plan development process with a kickoff meeting with the Board and PREPA, to align on the overall development process and a weekly working cadence. The team followed up with a weekly check in call on 2/22. These regular meetings are intended for the Board to provide timely inputs on parts of the Fiscal Plan and allow PREPA to make any relevant changes early in the development process. The team also reviewed and conducted an analysis of PREPA's Budget-to-Actuals (B2A) submissions for Q2FY19.

Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection – The team focused on three areas highlighted, implementation reviews, financial reporting and contract reviews.

The team continued to oversee implementation of measures for PREPA transformation through review of reports, and in person meetings. In these meetings, the team discussed in detail the status of initiatives Retirement Backlog, Contract Management Improvement, Real Estate Optimization, Smart Meters & Meter Replacement, Call Center Ops, Vegetation Management, Employee Benefit Optimization and Personnel Capacity Assessment, Renewable & Conventional PPA Renegotiations, and Pension Plan Reform. The team helped identify implementation obstacles, and recommended mitigation measures as well. Regular briefings were provided to the Board based on progress updates reported by PREPA.

The team continued its analysis of weekly and monthly financial and operational reports, and summarized takeaways to the Board based on reports and calls related to the Side Letter and Commonwealth loan requirements.

In February, the team concluded the analysis of the New Fortress Energía (NFE) contract to supply natural gas to San Juan 5 & 6 and convert the existing facility to be able to burn natural gas as fuel, ensuring that this contract was aligned with the Fiscal Plan and did not pose a material risk in achieving its goals. This process involved multiple in person meetings and calls with PREPA, as well as several requests for further information to fully assess the impact of the contract and the selection process. The final contract was approved and is now in execution. Additionally, the team

reviewed and approved a separate contract with ARG Precision for repair work at the Mayagüez Power Plant.

The team reviewed the final Integrated Resource Plan (IRP) submission from PREPA with emphasis on the two “recommended” scenarios: ESM and S4S2. Further analysis was performed to understand the inputs and assumptions of the model, and the drivers of differences between the ESM and S4S2 scenarios.

Debt restructuring terms and plans, agreed with creditors to the extent possible – Team also focused on the latest terms presented by the creditors on demand protection and provided an impact analysis of the terms and conditions.

Finally, the team reviewed an article by the Institute of Energy Economics and Financial Analysis (IEEFA) titled “PREPA Privatization Will Hurt Consumers and Slow Economic Recovery.” The team also reviewed and commented on a preliminary draft of the demand protection memo.

McKinsey Washington’s PREPA Title III Team Detailed Activities by Deliverable

- Fiscal Plan and Budget
 - Attended FY20 Fiscal Plan kick-off meeting with PREPA on 2/13 to align on working cadence and process. Attended check in call on 2/22
 - Reviewed differences between the Fiscal Plan model and the Transaction model
 - Attended call with Citibank to discuss questions on the Transaction model on 2/19, and provided comments on pages to be presented at the board meeting
 - Attended call with Citibank to coordinate on Fiscal Plan development on 2/20
 - Reviewed and conducted analysis of PREPA’s Budget-to-Actuals (B2A) submissions for Q2FY19
- Implementation reporting and tracking for PREPA transformation and transaction
 - Attended bi-weekly implementation meeting cadence on February 27th and 28th with the Deputy Transformation officer and initiative owners. Prepared summaries and implications from these meetings to the Board
 - February 27th: Retirement Backlog, Contract Management Improvement, Real Estate Optimization, Smart Meters & Meter Replacement, Call Center Ops, and Vegetation Management
 - February 28th: Employee Benefit Optimization and Personnel Capacity Assessment, Renewable and Conventional PPA Renegotiations, and Pension Plan Reform
 - Provided initiative status tracker to PREPA to follow up on pending actions agreed in implementation meetings
 - Prepared implementation status summary for Board both at an aggregate level as well as by initiative, identifying the risks posed by further delays in implementing

- Summarized Financial & Operational tracking weekly reports for the Board
 - Summarized weekly reports sent by PREPA as part of the requirements of the Commonwealth loan, for Board review
 - Attended Creditor Calls on 2/1 and 2/15, and summarized notes for Board review
 - Analyzed February Proposed Budget for sustainability of cash flows, consistency with previous Proposed Budgets, and any other potential concerns, and provided assessment to FOMB
- Review of PREPA's current and aging Accounts Receivables
 - Summarized Accounts Receivable reports sent by PREPA on 1/15 and 1/27 for Board review
- Integrated Resource Plan (IRP)
 - Reviewed the draft IRP submission and conducted analyses to understand differences between the two preferred scenarios ESM and S4S2, and differences between the proposed plans and the FY19 Fiscal Plan forecasts
- Contract review
 - Reviewed in detail proposed New Fortress Energía (NFE) fuel supply contract for San Juan 5 & 6; given the larger size of the contract a more detailed analysis of the contract included:
 - Met with and interviewed experts on LNG fuel supply contracts
 - Met with members of the PREPA team and their advisors for the contract to understand the underlying assumptions involved
 - Conducting analysis to validate the savings assumptions in the contract, and
 - Providing initial review of the contracting process, timelines, and relevant contract clauses
 - Reviewed in detail proposed contract by ARG Precision for the performance of repairs and STAGE 2+ modifications of power turbine 1B, and the repairs to the gas generator and compressor of units 2A and 2B at the Mayagüez Power Plant, by:
 - Assessing compliance of the scope of work with objectives of the Fiscal Plan, and
 - Verifying the source of funding to be used for the contract
- Others
 - Prepared memo on the article by Institute of Energy Economics and Financial Analysis (IEEFA) titled, "PREPA Privatization Will Hurt Consumers and Slow Economic Recovery"
 - Reviewed preliminary draft of the demand protection memo provided by bondholders

McKinsey Washington's PREPA Title III Team Detail and Contributions

The McKinsey team was led by Partners (Tyler Duvall, Bertil Chappuis and Matt Rogers) who provided overall quality control and stakeholder management as well as an Expert Associate Partner (Aaron Bielenberg) who led the working team. The working team consisted of one Engagement Manager and three Associates.

- Bertil Chappuis (Senior Partner – part-time – overall strategic direction):
 - Participated in meetings with Board Staff regarding the implementation of the PREPA Fiscal Plan and development of the budget
 - Participated in weekly executive Board meetings and advised on key PREPA decisions on the implementation of the PREPA Fiscal Plan
- Matt Rogers (Senior Partner – part-time – strategic direction primarily regarding power & utilities)
 - Provided overall quality control on team content and stakeholder management with Board, FOMB staff, and co-advisors
 - Attended weekly working sessions with team to guide content and scope of team engagement
 - Continued to provide inputs on the review of the San Juan 5 & 6 contract conversion including engaging in discussions with PREPA and their advisors on the contract specifics
 - Joined calls with PREPA on the NFE contract evaluation and provided his expertise on LNG markets globally
 - Continued to provide review and guidance on evaluating outputs of the interim Integrated Resource Planning (IRP) results
- Tyler Duvall (Partner – part-time – overall strategic direction)
 - Participated in weekly working sessions with team to guide work, address cross team issues, and ensure consistency of deliverables where appropriate
 - Facilitated stakeholder management at the FOMB staff and Board level
 - Provided review and guidance on implications of counterparty risk pertaining to the San Juan 5&6 conversion contract
- Aaron Bielenberg (Associate Partner – part-time – strategic direction, primarily in power, utilities and restructuring)
 - Participated in daily working sessions with team to guide work, address cross team issues, and provide content knowledge
 - Attended executive level Board meetings to review progress and advise on key PREPA decisions on the implementation of the PREPA Fiscal Plan
 - Reviewed and provided input for all team deliverables (implementation updates of PREPA Fiscal Plan measures, financial & operational tracking, Proposed Budget, Budget-to-Actuals (B2A) submissions, memos to Board, and meeting materials)

- Attended all meetings with PREPA, including implementation updates on initiatives, and Fiscal Plan kickoff and check-in
- Joined calls with the legal team preparing the demand protection memo and provided feedback to the FOMB on key challenges
- AK Mahadevan (Engagement Manager – full-time – overall management and fiscal plan, model and budget, implementation, stakeholder engagement)
 - Attended weekly Executive Level calls and oversaw analyses and material development to inform Board discussions related to PREPA Fiscal Plan and transformation
 - Led daily working sessions with the full team, coordinating and prioritizing team deliverables across all workstreams
 - Attended all meetings with PREPA on implementation of all initiatives
 - Prepared for and attended all calls and meetings related to the Fiscal Plan, providing broad oversight and guidance with other team members
 - Reviewed all draft memos, summaries, and reports by other team members, including providing comments and revisions on initial drafts, prior to submission to Board
 - Reviewed and commented on a preliminary draft of the demand protection memo provided by bondholders
 - Joined calls with the legal team preparing the demand protection memo and provided feedback to the FOMB on key challenges
- Ankit Saraf (Associate – full-time – fiscal plan, contract review, weekly reports, budget, and other)
 - Attended Creditor calls on 2/1 and 2/15, and summarized notes for Board review
 - Attended Fiscal Plan kickoff session with PREPA on 2/13
 - Reviewed differences between the Fiscal Plan model and the Transaction model, and attended call with Citibank to discuss questions on the Transaction model on 2/19, and provided comments on pages to be presented at Board meeting
 - Attended call with Citibank to coordinate on PREPA Fiscal Plan on 2/20
 - Prepared materials for and attended Fiscal Plan check-in call on 2/22
 - Prepared initial drafts of letter requesting more detail on the New Fortress Energía (NFE) fuel supply contract for the Board to send to PREPA, and delivered to Board on 2/1
 - Summarized weekly reports sent by PREPA as part of the requirements of the Commonwealth loan, for Board review
 - Summarized Accounts Receivable reports sent by PREPA on 1/15 and 1/27 for Board review
 - Reviewed the draft Integrated Resource Plan (IRP) filed by PREPA to the Puerto Rico Energy Bureau (PREB)

- Supported the development of the assessment of PREPA’s monthly Proposed Budget (February)
- Max Grass Araya (Associate – full-time – implementation monitoring and reporting)
 - Reviewed RFP process and NFE contract for San Juan 5 & 6 conversion, and prepared letters with clarification questions, memo summarizing contract and notice of approval
 - Prepared memo for the board on the points raised in the article by IEEFA titled, “PREPA Privatization Will Hurt Consumers and Slow Economic Recovery”
 - Reviewed contract between PREPA and ARG Precision for the performance of repairs and STAGE 2+ modifications of power turbine 1B, and the repairs to the gas generator and compressor of units 2A and 2B at the Mayagüez Power Plant, for consistency with the Fiscal Plan
 - Reviewed February implementation updates from PREPA and prepared materials for progress discussions with initiative owners
 - Attended bi-weekly implementation meeting cadence on February 27th and 28th with the Deputy Transformation officer and initiative owners focused on identifying current roadblocks delaying progress: Retirement Backlog, Contract Management Improvement, Real Estate Optimization, Smart Meters & Meter Replacement, Call Center Ops, Vegetation Management, Employee Benefit Optimization and Personnel Capacity Assessment, Renewable and Conventional PPA Renegotiations, and Pension Plan Reform
 - Provided initiative status tracker to PREPA to follow up on pending actions agreed in implementation meetings
 - Prepared implementation status summary for FOMB both at an aggregate level as well as by initiative, identifying the risks posed by further delays in implementing
 - Reviewed a preliminary draft of the demand protection memo provided by bondholders
- Rachel Wang (Associate – full-time – fiscal plan, budget, legislation review, and other)
 - Suggested and prepared Table of Contents for the FY20 Fiscal Plan based on best practices
 - Created an “FP Guide document” that details proposed overall changes for each chapter for the FY20 Fiscal Plan
 - Prepared the timeline of FP and Budget submissions and proposed working sessions between the Board and PREPA, by chapter and topic
 - Prepared materials for and attended Fiscal Plan process kickoff session with PREPA on 2/13
 - Prepared materials for and attended Fiscal Plan check-in call on 2/22
 - Prepared and provided comments on the annotated FY19 Fiscal Plan, to help guide development of the FY20 Fiscal Plan
 - Reviewed and conducted analysis of PREPA’s Budget-to-Actuals (B2A) submissions for Q2FY19

- Drafted privatization deck key themes and finalized comments on PREPA’s privatization chapter submission
- Conducted preliminary benchmarking analysis of wind and solar Levelized Cost of Energy (LCOE) projections
- Summarized media reactions to PREPA’s transformation plan
- Conducted analysis on differences between Fiscal Plan and the Transaction Model projections and assumptions
- Conducted analysis on capacity and generation differences between the two principal IRP scenarios: S4S2 and ESM

EXHIBIT E

February 2019 Invoice

McKinsey&Company

The Financial Oversight and Management Board for Puerto Rico
PO Box 195556
San Juan, Puerto Rico 00919-5556

ATTN: Promesa Assistant
accountspayable@promesa.gov

Invoice No: USQ-1976TK-5649

Consulting Agreement
Client for Strategic Consulting support related to the
Title III Cases
Effective Agreement Date: July 3, 2017

Invoice Date: 03/29/2019

Net 30

FFP Payment Schedule for PREPA Services

Invoice PoP: February 1, 2019 – February 28, 2019

Gross invoice amount for services performed outside Puerto Rico:	\$	472,873.12
Gross invoice amount for services performed in Puerto Rico:	\$	376,235.05
Subtotal	\$	849,108.16
Less withholding tax deducted at source	\$	(109,108.16)
Net Invoice Payable:	\$	740,000.00

Total Invoice Amount: \$740,000.00

McKinsey reserves the right to reissue an invoice to account for changes in applicable taxes.

Please wire transfer payment to:
McKinsey & Company, Inc.
Citibank N.A.
Bank Account Number: [REDACTED]
Bank ABA Routing Number: [REDACTED]

If remitting by check please send check to:
McKinsey & Company, Inc.
P.O. Box 7247-7255
Philadelphia, PA 19170-7255

Federal Tax ID#: 56-2405213

Please reference the invoice number and invoice date on your remittance advice.

For advice or questions on remittances, please contact Pamela Wertz 202-662-0060 or Jordan Mandell 202-662-0938.

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

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In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17-04780 (LTS)

PUERTO RICO ELECTRIC POWER
AUTHORITY (“PREPA”),

Debtors.¹

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FIFTEENTH MONTHLY FEE STATEMENT
OF MCKINSEY & COMPANY, INC. WASHINGTON D.C. FOR COMPENSATION
FOR SERVICES RENDERED TO THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO, AS REPRESENTATIVE OF
DEBTORS, PUERTO RICO ELECTRIC POWER AUTHORITY (“PREPA”)
FOR THE PERIOD MARCH 1, 2019 THROUGH MARCH 31, 2019

Name of Professional: McKinsey & Company, Inc. Washington D.C.
(“McKinsey Washington”)

Authorized to Provide Services to: The Financial Oversight and Management Board for
Puerto Rico, as Representative of the Debtors
Pursuant to PROMESA Section 315(b)

Period for which compensation
and reimbursement is sought: March 1, 2019 – March 31, 2019

Amount of compensation sought
as actual, reasonable and necessary: \$740,000.00

Amount of expense reimbursement sought
sought as actual, reasonable and necessary²: \$0.00

Type of Fee Statement: Fifteenth Monthly Fee Statement:
Title III Support for PREPA³

¹ The last four (4) digits of PREPA’s federal tax identification number are 3747.

² McKinsey Washington provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

³ Notice of this Fifteenth Monthly Fee Statement (as defined herein) has been served in accordance with the Interim Compensation Procedures (as defined herein) and objections to payment of the amounts described in this Fifteenth Monthly Fee Statement shall be addressed in accordance with the Interim Compensation Procedures.

1. Pursuant to the *Interim Compensation Procedures*, first entered by the Court on November 8, 2017 [*First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 1715] and amended on June 6, 2018 [*Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 3269] (the “*Interim Compensation Procedures*”), the applicable provisions of the United States Code (the “*Bankruptcy Code*”), the Federal Rules of Bankruptcy Procedure (the “*Bankruptcy Rules*”), and the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Puerto Rico (the “*Local Rules*”), McKinsey & Company, Inc. Washington DC (“*McKinsey Washington*”), strategic consultants to The Financial Oversight And Management Board For Puerto Rico, as representative of Debtors, Puerto Rico Electric Power Authority (“*PREPA*”, the “*Debtors*” or the “*Board*”), hereby serves this Fifteenth Monthly Fee Statement for the allowance of compensation for reasonable and necessary strategic consulting services and support that *McKinsey Washington* provided during the month of March 2019 (the “*Fee Period*”) pursuant to the “*Title III Support for PREPA*” Scope of Work (“*PREPA Scope of Work*”) of the consulting agreement entered into between *McKinsey Washington* and the *Board* for consulting services in support of the Title III litigation (Contract dated July 3, 2017, with Amendment No. 1 effective November 1, 2017 and Amendment No. 2 effective April 1, 2018) (the “*Consulting Agreement*”), attached hereto as Exhibit A. Pursuant to the *Interim Compensation Procedures*, *Bankruptcy Code*, the *Bankruptcy Rules* and the *Local Rules*, a Certification of Thomas Dohrmann, a Senior Partner of *McKinsey Washington*, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit B, and a Certification of Natalie Jaresko, Executive Director of the *Board*, authorizing the submission of this Fifteenth Monthly Fee Statement, is attached as Exhibit C.

2. By this Fifteenth Monthly Fee Statement: Title III Support for PREPA, McKinsey Washington seeks allowance of compensation for services rendered under the Consulting Agreement during the Fee Period in the amount of \$666,000.00 (which equals 90% of the compensation sought herein, in accordance with Section 2.c of the Interim Compensation Order).

Summary of Services Rendered During the Fee Period

3. During the Fee Period, McKinsey Washington provided a focused range of professional services as requested by the Board and reflected in the PREPA Scope of Work.⁴
4. Included at Exhibit D is a detailed summary of McKinsey Washington's scope of services, deliverables and team member activities performed pursuant to the PREPA Scope of Work during the Fee Period. Exhibit D also specifically identifies the McKinsey Washington team members who performed services during the Fee Period.
5. Included at Exhibit E is a copy of McKinsey Washington's monthly invoice⁵ for fees incurred during the Fee Period pursuant to the PREPA Scope of Work. As reflected in Exhibit E, McKinsey Washington incurred \$740,000.00 in fees during the Fee Period, and now seeks reimbursement for 90% of such fees (\$666,000.00).
6. McKinsey Washington's fees – as agreed-upon in the Consulting Agreement and reflected in the invoice – are based on the usual and customary fees McKinsey Washington charges to clients and are commensurate with the services performed.
7. The efforts expended by McKinsey Washington during the Fee Period have been commensurate with the size and complexity of these cases. In rendering these services,

⁴ McKinsey Washington is simultaneously serving separate monthly fee statements for services rendered pursuant to the other two (2) Scopes of Work under the Consulting Agreement.

⁵ The invoice included at Exhibit E reflects Puerto Rico withholding tax (29%). McKinsey Washington has calculated the proportion of work performed in Puerto Rico in a manner that is consistent with the terms of the Consulting Agreement.

McKinsey Washington has made every effort to maximize the benefit to the Debtors, to work efficiently with the other professionals employed in these cases, and to leverage staff appropriately in order to minimize duplication of effort.

8. McKinsey Washington respectfully submits that the amounts applied for herein for professional services rendered on behalf of the Board in these cases to date are fair and reasonable given: (a) the time expended; (b) the nature and extent of the services performed at the time at which such services were rendered; and (c) the value of such services.

Representations

9. While every effort has been made to include all fees incurred by McKinsey Washington during the Fee Period, some fees may not be included in this Fifteenth Monthly Fee Statement: Title III Support for PREPA due to certain unavoidable delays caused by accounting and processing during the Fee Period. McKinsey Washington reserves the right to make further application(s) for allowance of such fees not included herein. Subsequent fee statements and applications will be filed in accordance with the Interim Compensation Procedures, the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules.

Notice

10. Notice of this Fifteenth Monthly Fee Statement: Title III Support for PREPA has been or will be provided by overnight delivery or e-mail to:
 - i. attorneys for the Oversight Board, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, Attn: Martin J. Bienenstock, Esq. (mbienenstock@proskauer.com) and Ehud Barak, Esq. (ebarak@proskauer.com), and Proskauer Rose LLP, 70 West Madison Street, Chicago, IL 60602, Attn: Paul V. Possinger, Esq. (ppossinger@proskauer.com);

- ii. attorneys for the Oversight Board, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918, Attn: Hermann D. Bauer, Esq. (hermann.bauer@oneillborges.com);
- iii. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, NY 10036, Attn: John J. Rapisardi, Esq. (jrapisardi@omm.com), Suzanne Uhland, Esq. (suhland@omm.com), and Diana M. Perez, Esq. (dperez@omm.com);
- iv. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, Marini Pietrantoni Muñiz LLC, MCS Plaza, Suite 500, 255 Ponce de León Ave, San Juan, PR 00917, Attn: Luis C. Marini-Biaggi, Esq. (lmarini@mpmlawpr.com) and Carolina Velaz-Rivero Esq. (cvelaz@mpmlawpr.com);
- v. the Office of the United States Trustee for the District of Puerto Rico, Edificio Ochoa, 500 Tanca Street, Suite 301, San Juan, PR 00901 (re: In re: Commonwealth of Puerto Rico);
- vi. attorneys for the Official Committee of Unsecured Creditors, Paul Hastings LLP, 200 Park Ave., New York, NY 10166, Attn: Luc. A Despins, Esq. (lucdespins@paulhastings.com);
- vii. attorneys for the Official Committee of Unsecured Creditors, Casillas, Santiago & Torres LLC, El Caribe Office Building, 53 Palmeras Street, Ste. 1601, San Juan, PR 00901, Attn: Juan J. Casillas Ayala, Esq. (jcasillas@cstlawpr.com) and Alberto J.E. Añeses Negrón, Esq. (aanezes@cstlawpr.com);
- viii. attorneys for the Official Committee of Retired Employees, Jenner & Block LLP, 919 Third Ave., New York, NY 10022, Attn: Robert Gordon, Esq. (rgordon@jenner.com) and Richard Levin, Esq. (rlevin@jenner.com), and Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654, Attn: Catherine Steege, Esq. (cstegee@jenner.com) and Melissa Root, Esq. (mroot@jenner.com);
- ix. attorneys for the Official Committee of Retired Employees, Bennazar, García & Milián, C.S.P., Edificio Union Plaza, PH-A, 416 Ave. Ponce de León, Hato Rey, PR 00918, Attn: A.J. Bennazar-Zequera, Esq. (ajb@bennazar.org);
- x. the Puerto Rico Department of Treasury, PO Box 9024140, San Juan, PR 00902-4140, Attn: Reylam Guerra Goderich, Deputy Assistant of Central Accounting (Reylam.Guerra@hacienda.pr.gov); Omar E. Rodríguez Pérez, CPA, Assistant Secretary of Central Accounting (Rodriguez.Omar@hacienda.pr.gov); Angel L. Pantoja Rodríguez, Deputy

Assistant Secretary of Internal Revenue and Tax Policy (angel.pantoja@hacienda.pr.gov); Francisco Parés Alicea, Assistant Secretary of Internal Revenue and Tax Policy (francisco.pares@hacienda.pr.gov); and Francisco Peña Montañez, CPA, Assistant Secretary of the Treasury (Franciso.Pena@hacienda.pr.gov);

- xi. attorneys for the Fee Examiner, EDGE Legal Strategies, PSC, 252 Ponce de León Avenue, Citibank Tower, 12th Floor, San Juan, PR 00918, Attn: Eyck O. Lugo (elugo@edgelegalpr.com); and
- xii. attorneys for the Fee Examiner, Godfrey & Kahn, S.C., One East Main Street, Suite 500, Madison, WI 53703, Attn: Katherine Stadler (KStadler@gklaw.com).

WHEREFORE, McKinsey Washington respectfully requests payment by the Debtors of \$666,000.00, representing 90% of its fees incurred during the Fee Period and requested herein.

Dated: June 19, 2019
McKinsey & Company, Inc. Washington DC
Washington DC

s/Thomas Dohrmann
Thomas Dohrmann
Senior Partner
McKinsey & Company, Inc. Washington DC
1200 19th St NW #1000
Washington, DC 20036
Telephone: (202) 662-3100
Email: Thomas_Dohrmann@Mckinsey.com

Strategic Consultant to the Debtors

EXHIBIT A

Consulting Agreement

PROPRIETARY and CONFIDENTIAL

CONSULTING AGREEMENT

McKinsey & Company, Inc. Washington D.C. ("McKinsey") and **The Financial Oversight and Management Board for Puerto Rico** (the "Board" or the "Client") hereby enter into the following terms effective July 3, 2017 in connection with consulting services that McKinsey provides to Client for Strategic Consulting support related to the Title III Litigation(the "Services").

1. **SERVICES**. The working arrangements, including scope of the Services and Deliverables (as defined below) will be described in each mutually-executed Scope of Work, attached hereto as individual Attachments and incorporated herein, and cannot be materially amended without mutual agreement of the Parties. In order to be able to complete the Services within the agreed timeframe and budget and to fulfill its responsibilities on a timely basis, McKinsey will rely on the Client's timely cooperation, including the Client and the Government of Puerto Rico's making available relevant data, information and personnel, performing any tasks or responsibilities assigned to the Client or the Government of Puerto Rico and notifying McKinsey of any issues or concerns the Client may have relating to the Services. The Client is solely responsible for ensuring that the Government of Puerto Rico cooperates with responding to requests for purposes of the Services. The parties will meet at mutually agreed times to discuss the progress of the Services and to exchange feedback. During the course of the Services, priorities may shift or unexpected events may occur which may necessitate changes to the Services. In this event, the parties will jointly discuss the anticipated impact on the Services and agree on any appropriate adjustments, including to the scope of work, timeframe and budget.

2. **COMPENSATION**. The Client shall compensate McKinsey on a Firm Fixed Price basis in connection with the Services, as set forth in the Attachments. Any payments made by the Board to McKinsey hereunder are expressed net of any deductions or withholdings that may be applicable in respect of taxes, duties or levies and the Client will pay those amounts to McKinsey, in cleared funds. The parties agree that McKinsey is solely responsible for any applicable withholding and payment of taxes with respect to McKinsey Personnel as required by law. Neither party undertakes, pursuant to his Agreement or otherwise, to perform or discharge any liability or obligation of the other party, whether regulatory or contractual, or to assume any responsibility whatsoever for the conduct of the business or operations of the other party. Consistent with the public purpose of the Client's mandate, this Agreement will be made publicly available subject to Section 5 below. McKinsey will invoice the Client for Deliverables in connection with the Services monthly or as otherwise set forth in the applicable Proposal. Except for Services provided under retainer, all invoices are to be paid in accordance with the court order setting procedures for interim compensation and reimbursement of professionals.

3. **CONFIDENTIALITY**. Subject to applicable public disclosure laws and the disclosure procedures established by Client that do not otherwise conflict with terms in this agreement, each Party agrees to keep confidential any confidential information furnished by either Party in connection with the Services ("Confidential Information"); provided, however, that the Client may disclose Confidential Information from McKinsey as necessary or desirable to carry out its statutory duties. The Client agrees to provide McKinsey prior notice of its intent to disclose Confidential Information from McKinsey. Without the Client's explicit consent, McKinsey will disclose Confidential Information only to its employees, agents and contractors who have a need to know and are bound to keep it confidential and will use Confidential Information only for purposes of performing the Services. Confidential Information shall be all information other than information that is (i) or becomes publicly available other than as a result of a breach of this agreement, (ii) already known to the Receiving Party, (iii) independently acquired or developed by the Receiving Party without violating any of its obligations under this agreement, or (iv) is legally required to be disclosed. All documents supplied by the Receiving Party Client in connection with the services hereunder will, upon written request, be returned by the Receiving Party to the Disclosing Party or destroyed, provided that the Receiving Party may retain a copy for archival purposes. In performing the Services, McKinsey will use and rely primarily on the Confidential Information and on information available from public sources without having independently verified the same and does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information and Section 5 herein.

4. **INTELLECTUAL PROPERTY**. Upon payment in full of McKinsey's Fees associated with the relevant Services, the Client will own all reports, financial models and other deliverables prepared for and furnished to the Client by McKinsey in connection with the Services (the "Deliverables"), save that McKinsey retains ownership of all concepts, know-how, tools, frameworks, models, and industry perspectives developed or enhanced outside of or in connection with the Services (the "McKinsey Tools"), it being understood that none of the McKinsey Tools will contain the Client's

Confidential Information. To the extent the Deliverables include any McKinsey Tools, McKinsey hereby grants the Client a non-exclusive, non-transferable, non-sublicenseable, worldwide, royalty-free license to use and copy the McKinsey Tools solely as part of the Deliverables and subject to the limitations herein on disclosure of McKinsey materials and publicity.

5. DISCLOSURE OF McKINSEY MATERIALS; PUBLICITY. McKinsey's work for the Client is confidential and for the Client's internal use only; provided, however, the Client may disclose such work to the extent such disclosure is necessary or desirable to carrying out the Client's statutory duties. The Client agrees that it will not disclose McKinsey's name in relation to any disclosure of work hereunder without McKinsey's consent. McKinsey will not disclose the Deliverables to any third parties (including any non-voting Board members) without the Client's prior written permission. McKinsey further agrees not to use the Client's name in any communication with any third party without the other party's prior written permission, including in press releases or other public announcements. If the Client receives a public records request for Deliverables or other documents containing McKinsey information, the Client will allow McKinsey the ability to review the documents prior to disclosure to advise if the documents contain information subject to an exception or exemption to the relevant public records law.

6. SERVING COMPETITORS. It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. Consistent with such practice and McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with the Client about McKinsey's serving the Client's competitors or other parties. To avoid situations of potential conflict, McKinsey will not, for a period of one year following an engagement for the Client, assign any consultant who receives Confidential Information in connection with such engagement to a competitively sensitive project, including a directly-conflicting engagement with the Government of Puerto Rico. Notwithstanding the foregoing, the Client understands and agrees that so long as McKinsey has appropriate procedures in place to mitigate any potential conflict, it may serve the Government of Puerto Rico on related matters.

7. INDEMNIFICATION.

(a) Deliverables produced hereunder are not intended as a substitute for financial, investment, legal, accounting or other professional advice, and McKinsey does not intend to supplant the Client or the Government of Puerto Rico's management or other decision-making bodies.

(b) The Client and the Government of Puerto Rico remain solely responsible for its decisions, actions, use of the Deliverables and compliance with applicable laws, rules and regulations. McKinsey agrees to indemnify and hold the Client harmless from and against all loss, liability, damage, cost, or expense (including reasonable attorney fees) ("Losses") to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(c) The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) relating to the Services (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services), except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(d) The Client further indemnifies McKinsey, including any member, officer or employee thereof including but not limited to the Revitalization Coordination role, in any instance where it is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with such action, suit or proceeding, unless it acted with bad faith or engaged in intentional misconduct and, with respect to any criminal action or proceeding, unless it knew or should have known the conduct was unlawful. The termination of any act, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that McKinsey (or any of its members, officers or employees) did not satisfy these standards.

Neither party will be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages. In no event shall McKinsey's liability to the Client in connection with the Services relating to an engagement for the Client exceed the amount paid to McKinsey by the Client in connection with such engagement.

8. **AUTHORITY OF THE BOARD.** The Client represents and warrants it has the authority to enter into this Agreement for the Services. In the event that it is determined that the Client did not have authority to authorize all or part of this agreement, McKinsey may make the sole determination as to whether to terminate the Agreement according to Section 10 herein, or continue with those parts of the Services for which the Client does have authority. The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) resulting from a breach of this Section 8 and/or a misrepresentation by the Client of authority to act (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services).

9. **CONFLICTS OF INTEREST.** The Client agrees that performance of Services hereunder shall not conflict McKinsey from serving the Government of Puerto Rico or any stakeholders to the work, subject to the restrictions in Section 6 – "Serving Competitors."

10. **TERM AND TERMINATION.** This agreement takes effect on the date the Services commenced and shall continue until terminated in accordance with its terms. Either party may terminate the Services at any time effective upon 30 days written notice to the other. In the event of any termination, the Client will pay McKinsey for the work completed up to the effective date of termination.

11. **MISCELLANEOUS.** This agreement and the Proposals constitute the entire agreement between the parties, and there are no prior or contemporaneous oral or written representations, understandings or agreements relating to this subject matter that are not fully expressed herein or therein. This agreement and the Proposals shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles and shall inure to the benefit of and be binding on the successors and assigns of the Client and McKinsey. The following Sections shall survive the completion or any termination of the Services: 3 (Confidentiality), 4 (Intellectual Property), 5 (Disclosure of McKinsey Materials; Publicity), 6 (Serving Competitors), 7 (Indemnification), 8 (Term and Termination) and 9 (Miscellaneous) and any other provision which by law or by its nature should survive. Neither party may assign its rights or obligations under this agreement to any person or entity without the written consent of the other party, not to be unreasonably withheld, provided, however, that either party may assign its rights and obligations under this agreement to its affiliates upon reasonable written notice to the other party but without the written consent of the other party. Assignment shall not relieve either party of its obligations hereunder. McKinsey is an independent contractor and not the Client's agent or fiduciary. Notwithstanding any course of dealings of the parties at any time or any statement to the contrary contained therein, no purchase order, invoice or other similar document issued by a party shall be construed to modify the terms of this agreement. Rights and remedies provided in this agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.

The Financial Oversight and Management Board for Puerto Rico McKinsey & Company, Inc., Washington D.C.
(Client)



Name: Natalie A. Jaresko
Title: Executive Director
Date: Sept. 12, 2017



Name: Tyler Duvall
Title: Partner
Date: September 8, 2017

ATTACHMENT 1
Scope of Work
For
Commonwealth Title III Support

Services:

In regards to support for the Commonwealth Title III proceedings to the Board to include:

Activities:

- Participation in and coordination of cross advisor meetings (Board, Commonwealth and/or Stakeholders) regarding Title III related matters
- Preparation of materials necessary for supporting Fiscal Plan litigation, which could include:
 - Assemble fact base regarding process for creation, stress testing and certification of the fiscal plan
 - Assemble fact base regarding additional analyses created for the FOMB with respect to evaluating/stress testing the FY18 fiscal plan
 - Collect and summarize key input sources and supporting analysis for key fiscal plan assumptions
 - Assemble fact base regarding process and supporting analysis used to identify and evaluate key measures proposed and finally included in the fiscal plan
 - Prepare and/or evaluate alternative fiscal plan scenario analyses in support of requested alternative contexts
 - Prepare analyses in support of litigation activities
- As needed, ad-hoc analyses and/or responses to questions regarding litigation or potential litigation relating to the Fiscal Plan or other Commonwealth Title III matters
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverable:

- Monthly report regarding liquidity performance and strategic choices on liquidity related to Title III proceedings and/or ad hoc analysis performed within that month.

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Commonwealth Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for PREPA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to PREPA, McKinsey will support the Board in the following ways:

1. Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for PREPA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the PREPA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead PREPA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with PREPA, AAFAF and its experts and advisors
- Develop transformation plan for PREPA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Detailed action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required (e.g. updated IRP for PREPA)
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board PREPA subcommittee to provide updates and take guidance on PREPA transformation and Title III
- Monitor implementation of all aspects of the PREPA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

- Conduct limited market engagement as necessary to identify potential privatization options for PREPA
- Lead development of an integrated resource plan for PREPA to support the Transformation Plan in coordination with PREC and PREPA
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for HTA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance
- Support litigation related to the HTA proceedings, which has commenced

- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$720,000 per month and will continue so long as the HTA Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support, this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

**FIRST AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS FIRST AMENDMENT to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

WHEREAS, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

WHEREAS, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

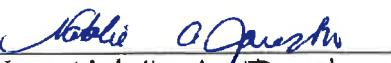
"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

IN WITNESS WHEREOF, the parties have executed this First Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico**


Name: Natalie A. Jaresko
Title: Executive Director
Date:

McKinsey & Company, Inc., Washington D.C.


Name: Tyler Duval
Title: Principal
Date: March 8, 2018

AMENDED ATTACHMENT 1
Scope of Work For Commonwealth Title III Support

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

Support for the Commonwealth Title III proceedings to the Board to include the following:

I. *Measure:*

- Revising fiscal measures contained in the March 13th Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

II. *Baseline and Macro:*

- Reviewing full certified March 13th Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

III. *Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:*

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan

- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

AMENDED ATTACHMENT 3
Scope of Work For Title III Support for HTA

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**

December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

** For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).



**SECOND AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC
AND THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS SECOND AMENDMENT to the Consulting Agreement (the “Second Amendment”) effective date of April 1, 2018, is entered into by and between McKinsey & Company, Inc. Washington D.C. (“McKinsey”) and The Financial Oversight and Management Board for Puerto Rico (the “Board” or the “Client”) (together, the “Parties”).

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the “Consulting Agreement”) for strategic consulting support related to Commonwealth Title III Support (the “Services”); and

WHEREAS, effective November 1, 2017, the Parties amended the Consulting Agreement to expand the scope of services to support the Board in connection with the required re-construction of the fiscal plan post-Hurricane (the “First Amendment”); and

WHEREAS, the Parties now desire to make additional amendments the Consulting Agreement to extend its duration and make modifications to the scope of services, as set forth below; and

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

For both “Commonwealth Title III Support” and “Title III Support for HTA”, the period of performance shall be extended through June 30, 2019. For this period of performance, the scope of services for “Commonwealth Title III Support” is reflected in the “Second Amended Attachment 1 Scope of Work for Commonwealth Title III Support”, attached hereto; and the scope of services for “Title III Support for HTA” is reflected in the “Second Amended Attachment 3 Scope of Work for Title III Support for HTA”, attached hereto. For the avoidance of confusion, “Title III Support for PREPA”, as memorialized in the Consulting Agreement, shall remain unchanged. If additional services, activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This Second Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this Second Amendment. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this Second Amendment, all other terms of the Consulting Agreement and First Amendment shall remain in full force and effect, unaltered and unchanged by this Second Amendment.

IN WITNESS WHEREOF, the parties have executed this Second Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico** **McKinsey & Company, Inc., Washington D.C.**

Natalie A. Jaresko

Name: Natalie A. Jaresko

Title: Executive Director

Tyler Duvall

Name: Tyler Duvall

Title Partner

SECOND AMENDED ATTACHMENT 3
Scope of Work for Title III Support for HTA

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Title III Support for HTA.

From **May 2018 – June 2019**, the scope of work shall be as follows:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational efficiency measures focused on near and immediate term actions to maintain sustainable operations
 - Capex program priorities and efficiency measures
 - Opportunities to increase revenues
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure and implementation plans
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$425,000
May 2018 – June 2019	\$310,000/month

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

SECOND AMENDED ATTACHMENT 1
Scope of Work for Commonwealth Title III Support

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Commonwealth Title III Support.

From **May 2018 – June 2019**, the scope of work shall be as follows:

Support for the Commonwealth Title III proceedings to the Board to include the following:

Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meeting
- Prepare content and analyses and work alongside FOMB, government and stakeholders advisors with regards to development of Plan(s) of Adjustment
- Lead preparation of “best interests” analysis in coordination with other FOMB advisors
- Lead any further development, refinement or updates to fiscal plan and/or models working with Board staff, the Board and the Government
- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan
- Prepare analyses, support FOMB counsel and lead coordination of information diligence related to potential litigation involving the certified Fiscal Plan and/or other CW Title III matters
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony. If additional expert testimony is required, the Parties will negotiate additional fees.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$1,940,000
May 2018 – June 2019	\$1,417,500/month

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

EXHIBIT B

Certification of McKinsey Washington Senior Partner Thomas Dohrmann

**UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO**

-----x

In re:

**PROMESA
Title III**

**THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,**

as representative of

Case No. 17-04780 (LTS)

**PUERTO RICO ELECTRIC POWER
AUTHORITY (“PREPA”),**

(Jointly Administered)

Debtors.

-----x

CERTIFICATION OF THOMAS DOHRMANN

I, Thomas Dohrmann, hereby declare the following under penalty of perjury:

1. I am one of the McKinsey Washington Partners providing consulting services related to the above-captioned Title III case;
2. I have been involved in, and managed the provision of professional services rendered by McKinsey Washington as strategic consultant to The Financial Oversight And Management Board For Puerto Rico, as representative of Debtors and am generally familiar with the work performed by the Partners, managers, associates, and other persons in the Firm;
3. The facts set forth in the foregoing Fifteenth Monthly Fee Statement: Title III Support for PREPA are true and correct to the best of my knowledge, information, and belief;
4. I have reviewed the Interim Compensation Procedures and believe that McKinsey Washington’s Fifteenth Monthly Fee Statement: Title III Support for PREPA complies therewith; and
5. In accordance with Section 11.a. of the Interim Compensation Procedures, I hereby certify as follows:
 - i. No public servant of the Department of Treasury is a party to or has any interest in the gains or benefits derived from the Consulting Agreement (the contract) that is the basis of this invoice;
 - ii. The only consideration for providing services under the Consulting Agreement (the contract) is the payment agreed upon with the authorized representatives of the Debtors;

- iii. The amount of this invoice is reasonable;
- iv. The services were rendered and the corresponding payment has not been made; and
- v. To the best of my knowledge, McKinsey Washington does not have any debts owed to the Government of Puerto Rico or its instrumentalities.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: June 19, 2019
Washington, DC

s/Thomas Dohrmann

Thomas Dohrmann
Senior Partner
McKinsey & Company, Inc. Washington DC

EXHIBIT C

Certification of FOMB Executive Director Natalie Jaresko

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,
et al.

(Jointly Administered)

Debtors.

**CERTIFICATION OF THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO AUTHORIZING SUBMISSION OF MCKINSEY WASHINGTON'S
MONTHLY FEE STATEMENTS FOR THE MONTH OF MARCH 2019**

In accordance with the Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals [Docket Number 3269, June 6, 2018] ("Interim Compensation Procedures"), I hereby certify as follows:

1. I am the Executive Director of The Financial Oversight And Management Board For Puerto Rico ("FOMB");
2. On or about July 3, 2017, on my authorization, FOMB entered into a consulting agreement with McKinsey Washington for consulting services in support of the Title III litigation, which was first amended effective November 1, 2017, and amended again effective April 1, 2018 (the "Consulting Agreement");
3. McKinsey Washington has satisfactorily performed and fulfilled its obligations under the Consulting Agreement for the services provided in March 2019 under each of the three (3) workstreams of the Consulting Agreement, namely "Commonwealth Title III Support", "Title III Support for PREPA", and "Title III Support for HTA"; now, therefore,
4. Pursuant to Section 11.b. of the Interim Compensation Procedures, McKinsey Washington is hereby authorized to submit its Monthly Fee Statements for the allowance of compensation for reasonable and necessary strategic consulting services and support

provided during the month of March 2019, pursuant to each of the three (3) workstreams of the Consulting Agreement, namely “Commonwealth Title III Support”, “Title III Support for PREPA”, and “Title III Support for HTA.”

Dated: June 10, 2019



Natalie Jaresko, Executive Director
The Financial Oversight and
Management Board for Puerto Rico

EXHIBIT D

Title III Support for PREPA

March 2019

Summary of Work

In the month of March, the PREPA Title III team made substantial progress in working with PREPA to develop the Fiscal Plan. The team drafted template pages for several Fiscal Plan chapters (Historical Context & Current Challenges, Expenses – Generation, Expenses – Operational Initiatives and Performance Improvements, and Post-Certification Reporting). The team also prepared for and attended working sessions between the Board and PREPA on 3/13 to discuss content development for the Fiscal Plan. In March, PREPA made informal draft submissions of parts of the Fiscal Plan, which the team reviewed and provided comments for potential revisions to PREPA. The team also prepared Excel templates for revenue assumption and projections and delivered to PREPA.

The team focused on three areas: implementation reviews, financial reporting, and contracts review. For implementation reporting and tracking, the team prepared an executive summary of implementation progress for the Board based on meetings with PREPA and regular monthly implementation reports. The team also shared best practices for contract management performance tracking and call center performance tracking and shared those with PREPA to support implementation measures. The team continued to meet with initiative owners to discuss the progress of initiatives (CILT, Economic Dispatch, Improve Plant Performance and Reliability, San Juan 5 & 6 repairs, Overtime reduction and E-Billing, Retirement Backlog, Contract Management, Real Estate Optimization, Smart Meters/Damaged Meters, Call Center Ops, Vegetation Management, and Personnel Capacity Assessment). Finally, to support renewables PPOA negotiations, the team provided to PREPA benchmarks for the cost of solar in Puerto Rico.

The team continued its analysis of weekly and monthly financial and operational reports, and summarized takeaways to the Board based on reports and calls related to the Side Letter and Commonwealth loan requirements. The team also reviewed proposed changes by PREPA on their bi-weekly, and monthly reporting cadence, given that PREPA had paid off the Commonwealth Loan. The team attended the Creditor call on PREPA's weekly reports on 3/1, and summarized notes for the Board's review.

In March, the team also reviewed the ARG Mobile Generators contract, and verified the need for PREPA to submit a formal budget reallocation request. The team also reviewed Act 143 for compliance with Fiscal Plan, and reviewed regulations 9043 and 9051. Additionally, the team

reviewed and assessed the compliance of the proposed Regulation on Wheeling of the Puerto Rico Energy Bureau (PREB) with the Fiscal Plan.

Additionally, the team reviewed the Puerto Rico Energy Bureau's (PREB) resolution on the draft IRP and analyzed the impact of the resolution on the development of the FY20 Fiscal Plan.

The team continued its analysis of proposals for Demand Protection, including detailed analysis of the impact due to proposed treatment of behind-the-meter generation. The team also concluded its review of the article by the Institute of Energy Economics and Financial Analysis (IEEFA) titled "PREPA Privatization Will Hurt Consumers and Slow Economic Recovery," and delivered a summary memo on this topic to the Board.

Finally, the team supported Proskauer with analysis to help question the expert witness (Dr. David Tabak) and his assumptions around the value generated by the Fiscal Plan savings assumptions.

McKinsey Washington's PREPA Title III Team Detailed Activities by Deliverable

- **Fiscal Plan and Budget**
 - Prepared for and attended check-in calls between Board and PREPA on 3/1, 3/8, and 3/29
 - Prepared for and attended working session between Board and PREPA on 3/13 (focusing on Executive Summary, Governance, Historical Context and Current Challenges, and Privatization chapters). Synthesized notes from working session
 - Drafted Fiscal Plan template pages for the following chapters: Historical Context & Current Challenges, Expenses – Generation, and Post-Certification Reporting
 - Reviewed PREPA's chapter submissions and prepared comments for Historical Context & Current Challenges, Baseline Financial Projections and Assumptions, Revenue – Demand, and Revenue – Rate & Regulatory Structure
 - Suggested and prepared the FY20 Fiscal Plan outline, which details overall chapter order and content structure for the entire Fiscal Plan
 - Prepared materials for working session on Baseline Financial Projections and Assumptions, and Revenue projections; originally scheduled for 03/27 (eventually canceled)
 - Prepared the fiscal model revenue assumptions and projections template
 - Drafted categorization and themes for initiatives in Expenses – Operational Initiatives and Performance Improvements chapter
 - Reviewed PREPA's revenue projections submission and prepared questions for further clarification
- Implementation reporting and tracking for PREPA transformation and transaction:

- Prepared executive summary of implementation progress for the Board based on meetings with PREPA and latest implementation reports
- Prepared document on best practices for contract management performance tracking and shared with PREPA
- Prepared document on best practices for call center performance tracking and shared with PREPA
- Prepared for and attended implementation meeting on 3/13, discussing progress for the following initiatives: CILT, Economic Dispatch, Improve Plant Performance and Reliability, San Juan 5 & 6 repairs, Overtime reduction and E-Billing
- Prepared for and attended implementation meetings on 3/27 and 3/28, discussing progress for the following initiatives: Retirement Backlog, Contract Management, Real Estate Optimization, Smart Meters/Damaged Meters, Call Center Ops, Vegetation Management, Personnel Capacity Assessment
- Reviewed PREPA's budget reallocation request to fund acquisition of mobile generators and replacement meters. Prepared additional requests for information required prior to approval
- Provided benchmarks for the cost of solar in Puerto Rico to support renewables PPOA negotiations
- Summarized Financial & Operational tracking weekly reports to Board
 - Reviewed and prepared assessment of PREPA's monthly Proposed Budget
 - Reviewed modifications to PREPA's proposed weekly, bi-weekly, and monthly reporting cadence, in light of reporting requirement changes from PREPA having paid off the Commonwealth Loan
 - Attended Creditor call on 3/1 and summarized notes for Board review
- Integrated Resource Plan (IRP)
 - Reviewed Puerto Rico Energy Bureau's (PREB) resolution on the IRP and analyzed its effects on the FY20 Fiscal Plan development
- Contract review
 - Reviewed ARG Mobile Generators contract, identifying the need for PREPA to submit a formal budget reallocation request before proceeding with contract assessment for approval
- Legislation and regulation review to assess alignment with Fiscal Plan
 - Conducted analysis of Act 143 for compliance with Fiscal Plan, including review of Regulations 9043 and 9051 (which was delivered to the Board on 4/2)
 - Reviewed and assessed compliance of proposed Regulation on Wheeling of the Puerto Rico Energy Bureau with the Fiscal Plan
- Others

- Reviewed analysis of Transition Charge proposal and treatment of behind-the-meter generation in the proposal received on week of 3/11, and further analysis of revised proposal received on week of 3/18
- Reviewed IEEFA’s article titled “PREPA Privatization Will Hurt Consumers and Slow Economic Recovery” and delivered a summary memo to the Board
- Supported Proskauer with analysis to help question the expert witness (Dr. David Tabak) and his assumptions around the value generated by the Fiscal Plan savings assumptions
- Prepared a response to the memo shared by a local entity addressed to the FOMB highlighting the rationale for high costs of Solar on Puerto Rico

McKinsey Washington’s PREPA Title III Team Detail and Contributions

The McKinsey team was led by Partners (Tyler Duvall, Bertil Chappuis and Matt Rogers) who provided overall quality control and stakeholder management as well as an Expert Associate Partner (Aaron Bielenberg) who led the working team. The working team consisted of one Engagement Manager and three Associates.

- Bertil Chappuis (Senior Partner – part-time – overall strategic direction):
 - Participated in meetings with Board Staff regarding the implementation of the PREPA Fiscal Plan and development of the budget
 - Participated in weekly executive Board meetings and advised on key PREPA decisions on the implementation of the PREPA Fiscal Plan
- Matt Rogers (Senior Partner – part-time – strategic direction primarily regarding power & utilities)
 - Provided overall quality control on team content and stakeholder management with Board, FOMB staff, and co-advisors
 - Provided substantive advice on the fixed charges associated with demand protection based on his vast experience of working with utilities around the country
 - Attended weekly working sessions with team to guide content and scope of team engagement
- Tyler Duvall (Partner – part-time – overall strategic direction)
 - Participated in weekly working sessions with team to guide work, address cross team issues, and ensure consistency of deliverables where appropriate
 - Facilitated stakeholder management at the FOMB staff and Board level
- Aaron Bielenberg (Associate Partner – part-time – strategic direction, primarily in power, utilities and restructuring)
 - Participated in daily working sessions with team to guide work, address cross team issues, and provide content knowledge
 - Attended executive level Board meetings to review progress and advise on key PREPA decisions on the implementation of the PREPA Fiscal Plan

- Reviewed and provided input for all team deliverables (implementation updates of PREPA Fiscal Plan measures, financial & operational tracking, Proposed Budget, Fiscal Plan draft templates and comments on PREPA submissions, memos to Board, and meeting materials)
- Attended all meetings with PREPA, including implementation updates on initiatives, and Fiscal Plan working sessions and check in calls
- Attended and led meetings with the legal team representing PREPA on demand protection to help identify issues with the proposal from the bond holders
- Attended all calls on demand protection with FOMB, PREPA and its advisors as scheduled by FOMB. (Does not include calls led by legal team of PREPA/creditors)
- Attended call with Proskauer to share the analysis to help question the expert witness (Dr. David Tabak) and his assumptions around the value generated by the Fiscal Plan savings assumptions
- AK Mahadevan (Engagement Manager – full-time – overall management and fiscal plan, model and budget, implementation, stakeholder engagement)
 - Attended weekly Executive Level calls and oversaw analyses and material development to inform Board discussions related to PREPA Fiscal Plan and transformation
 - Led daily problem-solving sessions with the full team, coordinating and prioritizing team deliverables across all workstreams
 - Attended all meetings with PREPA on implementation of all initiatives
 - Prepared for and attended all calls and meetings related to the Fiscal Plan, providing broad oversight and guidance with other team members
 - Reviewed all draft memos, summaries, and reports by other team members, including providing comments and revisions on initial drafts, prior to submission to Board
 - Reviewed analysis of Demand Protection proposal and treatment of behind-the-meter generation in the proposal received on week of 3/11, and further analysis of revised proposal received on week of 3/18
 - Prepared a response to the memo shared by a local entity addressed to the FOMB highlighting the rationale for high costs of Solar on Puerto Rico
- Ankit Saraf (Associate – full-time – fiscal plan, contract review, weekly reports, budget, and other)
 - Co-prepared discussion materials for and attended Fiscal Plan check in calls between the Board and PREPA (3/1, 3/8, and 3/29)
 - Attended Creditor call on 3/1 and summarized notes for Board review
 - Co-prepared discussion materials for and attended Fiscal Plan working session between the Board and PREPA on 3/13
 - Supported the development of the assessment of PREPA's monthly Proposed Budget (March)

- Conducted detailed analysis on the impacts of the new Demand Protection proposal (as of 3/14)
- Co-reviewed PREB’s resolution on the IRP and analyzed its effects on the FY20 Fiscal Plan development
- Reviewed modifications to PREPA’s proposed weekly, bi-weekly, and monthly reporting cadence, considering reporting requirement changes from PREPA having paid off the Commonwealth Loan
- Max Grass Araya (Associate – full-time – implementation monitoring and reporting)
 - Prepared executive summary of implementation progress for FOMB based on meetings with PREPA and latest implementation reports
 - Prepared document on best practices for contract management performance tracking and shared with PREPA
 - Prepared document on best practices for call center performance tracking and shared with PREPA
 - Prepared for and attended implementation meeting on 3/13, discussing progress for the following initiatives: CILT, Economic Dispatch, Improve Plant Performance and Reliability, San Juan 5 & 6 repairs, Overtime reduction and E-Billing
 - Prepared for and attended implementation meetings on 3/27 and 3/28, discussing progress for the following initiatives: Retirement Backlog, Contract Management, Real Estate Optimization, Smart Meters/Damaged Meters, Call Center Ops, Vegetation Management, Personnel Capacity Assessment
 - Delivered final response to IEEFA’s article titled “PREPA Privatization Will Hurt Consumers and Slow Economic Recovery”
 - Reviewed and assessed compliance of proposed Regulation on Wheeling of the Puerto Rico Energy Bureau with the Fiscal Plan
 - Reviewed ARG Mobile Generators contract, identifying the need for PREPA to submit a formal budget reallocation request before proceeding with contract assessment for approval
 - Reviewed PREPA’s budget reallocation request to fund acquisition of mobile generators and replacement meters. Prepared additional requests for information required prior to approval
 - Drafted the response document for Proskauer with analysis to help question the expert witness (Dr. David Tabak) and his assumptions around the value generated by the Fiscal Plan savings assumptions
 - Developed benchmarks for the cost of solar in Puerto Rico to support renewables PPOA negotiations
- Rachel Wang (Associate – full-time – fiscal plan, budget, legislation review, and other)
 - Suggested and prepared the FY20 Fiscal Plan outline, which details overall chapter order and content structure for the entire Fiscal Plan

- Co-prepared materials for and attended working session FY20 FP on 3/13 (focusing on Executive Summary, Governance, Historical Context and Current Challenges, and Privatization chapters)
- Consolidated and synthesized working session notes from 3/13
- Prepared materials for working session #2 on Baseline Financial Projections and Assumptions, and Revenue projections; original scheduled for 03/27 (eventually cancelled)
- Prepared the fiscal model revenue assumptions and projections template
- Co-prepared materials for and attended weekly Fiscal Plan check-in calls on 3/1, 3/8, 3/22, and 3/29
- Drafted categorization and themes for initiatives in Expenses – Operational Initiatives and Performance Improvements chapter
- Conducted analysis of Act 143 for compliance with Fiscal Plan, including review of Regulations 9043 and 9051, which was delivered to FOMB on 4/2
- Co-reviewed PREB's resolution on the IRP and analyzed its effects on the FY20 Fiscal Plan development
- Drafted Fiscal Plan template pages for the following chapters: Historical Context & Current Challenges, Expenses – Generation, and Post-Certification Reporting
- Reviewed PREPA's revenue projections submission and prepared questions for further clarification
- Co-reviewed PREPA's chapter submissions and prepared comments for Historical Context & Current Challenges, Baseline Financial Projections and Assumptions, Revenue – Demand, and Revenue – Rate & Regulatory Structure

EXHIBIT E

March 2019 Invoice

McKinsey&Company

The Financial Oversight and Management
Board for Puerto Rico
PO Box 195556
San Juan, Puerto Rico 00919-5556

ATTN: Promesa Assistant
accountspayable@promesa.gov

Invoice No: USQ-4471IW-5757

Consulting Agreement
Client for Strategic Consulting support related to the
Title III Cases
Effective Agreement Date: July 3, 2017

Invoice Date: 05/30/2019

Net 30

FFP Payment Schedule for PREPA Services

Invoice PoP: March 1, 2019 – March 31, 2019

Gross invoice amount for services performed outside Puerto Rico:	\$ 430,611.72
Gross invoice amount for services performed in Puerto Rico:	\$ 435,758.14
Subtotal	\$ 866,369.86
Less withholding tax deducted at source	\$ (126,369.86)
Net Invoice Payable:	\$ 740,000.00

Total Invoice Amount: \$740,000.00

McKinsey reserves the right to reissue an invoice to account for changes in applicable taxes.

Please wire transfer payment to:
McKinsey & Company, Inc.
Citibank N.A.
Bank Account Number: [REDACTED]
Bank ABA Routing Number: [REDACTED]

If remitting by check please send check to:
McKinsey & Company, Inc.
P.O. Box 7247-7255
Philadelphia, PA 19170-7255

Federal Tax ID#: 56-2405213

Please reference the invoice number and invoice date on your remittance advice.

For advice or questions on remittances, please contact Pamela Wertz 202-662-0060 or Jordan Mandell 202-662-0938.

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

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In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17-04780 (LTS)

PUERTO RICO ELECTRIC POWER
AUTHORITY (“PREPA”),

Debtors.¹

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SIXTEENTH MONTHLY FEE STATEMENT
OF MCKINSEY & COMPANY, INC. WASHINGTON D.C. FOR COMPENSATION
FOR SERVICES RENDERED TO THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO, AS REPRESENTATIVE OF
DEBTORS, PUERTO RICO ELECTRIC POWER AUTHORITY (“PREPA”)
FOR THE PERIOD APRIL 1, 2019 THROUGH APRIL 30, 2019

Name of Professional: McKinsey & Company, Inc. Washington D.C.
("McKinsey Washington")

Authorized to Provide Services to: The Financial Oversight and Management Board for
Puerto Rico, as Representative of the Debtors
Pursuant to PROMESA Section 315(b)

Period for which compensation
and reimbursement is sought: April 1, 2019 - April 30, 2019

Amount of compensation sought
as actual, reasonable and necessary: \$740,000.00

Amount of expense reimbursement sought
sought as actual, reasonable and necessary²: \$0.00

Type of Fee Statement: Sixteenth Monthly Fee Statement:
Title III Support for PREPA³

¹ The last four (4) digits of PREPA’s federal tax identification number are 3747.

² McKinsey Washington provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

³ Notice of this Sixteenth Monthly Fee Statement (as defined herein) has been served in accordance with the Interim Compensation Procedures (as defined herein) and objections to payment of the amounts described in this Sixteenth Monthly Fee Statement shall be addressed in accordance with the Interim Compensation Procedures.

1. Pursuant to the *Interim Compensation Procedures*, first entered by the Court on November 8, 2017 [*First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 1715] and amended on June 6, 2018 [*Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 3269] (the “*Interim Compensation Procedures*”), the applicable provisions of the United States Code (the “*Bankruptcy Code*”), the Federal Rules of Bankruptcy Procedure (the “*Bankruptcy Rules*”), and the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Puerto Rico (the “*Local Rules*”), McKinsey & Company, Inc. Washington DC (“*McKinsey Washington*”), strategic consultants to The Financial Oversight And Management Board For Puerto Rico, as representative of Debtors, Puerto Rico Electric Power Authority (“*PREPA*”, the “*Debtors*” or the “*Board*”), hereby serves this Sixteenth Monthly Fee Statement for the allowance of compensation for reasonable and necessary strategic consulting services and support that *McKinsey Washington* provided during the month of April 2019 (the “*Fee Period*”) pursuant to the “*Title III Support for PREPA*” Scope of Work (“*PREPA Scope of Work*”) of the consulting agreement entered into between *McKinsey Washington* and the *Board* for consulting services in support of the Title III litigation (Contract dated July 3, 2017, with Amendment No. 1 effective November 1, 2017 and Amendment No. 2 effective April 1, 2018) (the “*Consulting Agreement*”), attached hereto as Exhibit A. Pursuant to the *Interim Compensation Procedures*, *Bankruptcy Code*, the *Bankruptcy Rules* and the *Local Rules*, a Certification of Thomas Dohrmann, a Senior Partner of *McKinsey Washington*, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit B, and a Certification of Natalie Jaresko, Executive Director of the *Board*, authorizing the submission of this Sixteenth Monthly Fee Statement, is attached as Exhibit C.

2. By this Sixteenth Monthly Fee Statement: Title III Support for PREPA, McKinsey Washington seeks allowance of compensation for services rendered under the Consulting Agreement during the Fee Period in the amount of \$666,000.00 (which equals 90% of the compensation sought herein, in accordance with Section 2.c of the Interim Compensation Order).

Summary of Services Rendered During the Fee Period

3. During the Fee Period, McKinsey Washington provided a focused range of professional services as requested by the Board and reflected in the PREPA Scope of Work.⁴
4. Included at Exhibit D is a detailed summary of McKinsey Washington's scope of services, deliverables and team member activities performed pursuant to the PREPA Scope of Work during the Fee Period. Exhibit D also specifically identifies the McKinsey Washington team members who performed services during the Fee Period.
5. Included at Exhibit E is a copy of McKinsey Washington's monthly invoice⁵ for fees incurred during the Fee Period pursuant to the PREPA Scope of Work. As reflected in Exhibit E, McKinsey Washington incurred \$740,000.00 in fees during the Fee Period, and now seeks reimbursement for 90% of such fees (\$666,000.00).
6. McKinsey Washington's fees – as agreed-upon in the Consulting Agreement and reflected in the invoice – are based on the usual and customary fees McKinsey Washington charges to clients and are commensurate with the services performed.
7. The efforts expended by McKinsey Washington during the Fee Period have been commensurate with the size and complexity of these cases. In rendering these services, McKinsey Washington has made every effort to maximize the benefit to the Debtors, to work

⁴ McKinsey Washington is simultaneously serving separate monthly fee statements for services rendered pursuant to the other two (2) Scopes of Work under the Consulting Agreement.

⁵ The invoice included at Exhibit E reflects Puerto Rico withholding tax (29%). McKinsey Washington has calculated the proportion of work performed in Puerto Rico in a manner that is consistent with the terms of the Consulting Agreement.

efficiently with the other professionals employed in these cases, and to leverage staff appropriately in order to minimize duplication of effort.

8. McKinsey Washington respectfully submits that the amounts applied for herein for professional services rendered on behalf of the Board in these cases to date are fair and reasonable given: (a) the time expended; (b) the nature and extent of the services performed at the time at which such services were rendered; and (c) the value of such services.

Representations

9. While every effort has been made to include all fees incurred by McKinsey Washington during the Fee Period, some fees may not be included in this Sixteenth Monthly Fee Statement: Title III Support for PREPA due to certain unavoidable delays caused by accounting and processing during the Fee Period. McKinsey Washington reserves the right to make further application(s) for allowance of such fees not included herein. Subsequent fee statements and applications will be filed in accordance with the Interim Compensation Procedures, the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules.

Notice

10. Notice of this Sixteenth Monthly Fee Statement: Title III Support for PREPA has been or will be provided by overnight delivery or e-mail to:
 - i. attorneys for the Oversight Board, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, Attn: Martin J. Bienenstock, Esq. (mbienenstock@proskauer.com) and Ehud Barak, Esq. (ebarak@proskauer.com), and Proskauer Rose LLP, 70 West Madison Street, Chicago, IL 60602, Attn: Paul V. Possinger, Esq. (ppossinger@proskauer.com);
 - ii. attorneys for the Oversight Board, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918, Attn: Hermann D. Bauer, Esq. (hermann.bauer@oneillborges.com);
 - iii. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, O'Melveny & Myers LLP, Times Square Tower, 7 Times

- Square, New York, NY 10036, Attn: John J. Rapisardi, Esq. (jrapisardi@omm.com), Suzanne Uhland, Esq. (suhland@omm.com), and Diana M. Perez, Esq. (dperez@omm.com);
- iv. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, Marini Pietrantoni Muñiz LLC, MCS Plaza, Suite 500, 255 Ponce de León Ave, San Juan, PR 00917, Attn: Luis C. Marini-Biaggi, Esq. (lmarini@mpmlawpr.com) and Carolina Velaz-Rivero Esq. (cvelaz@mpmlawpr.com);
 - v. the Office of the United States Trustee for the District of Puerto Rico, Edificio Ochoa, 500 Tanca Street, Suite 301, San Juan, PR 00901 (re: In re: Commonwealth of Puerto Rico);
 - vi. attorneys for the Official Committee of Unsecured Creditors, Paul Hastings LLP, 200 Park Ave., New York, NY 10166, Attn: Luc. A Despins, Esq. (lucdespins@paulhastings.com);
 - vii. attorneys for the Official Committee of Unsecured Creditors, Casillas, Santiago & Torres LLC, El Caribe Office Building, 53 Palmeras Street, Ste. 1601, San Juan, PR 00901, Attn: Juan J. Casillas Ayala, Esq. (jcasillas@cstlawpr.com) and Alberto J.E. Añeses Negrón, Esq. (añeses@cstlawpr.com);
 - viii. attorneys for the Official Committee of Retired Employees, Jenner & Block LLP, 919 Third Ave., New York, NY 10022, Attn: Robert Gordon, Esq. (rgordon@jenner.com) and Richard Levin, Esq. (rlevin@jenner.com), and Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654, Attn: Catherine Steege, Esq. (csteige@jenner.com) and Melissa Root, Esq. (mroot@jenner.com);
 - ix. attorneys for the Official Committee of Retired Employees, Bennazar, García & Milián, C.S.P., Edificio Union Plaza, PH-A, 416 Ave. Ponce de León, Hato Rey, PR 00918, Attn: A.J. Bennazar-Zequeira, Esq. (ajb@bennazar.org);
 - x. the Puerto Rico Department of Treasury, PO Box 9024140, San Juan, PR 00902-4140, Attn: Reylam Guerra Goderich, Deputy Assistant of Central Accounting (Reylam.Guerra@hacienda.pr.gov); Omar E. Rodríguez Pérez, CPA, Assistant Secretary of Central Accounting (Rodriguez.Omar@hacienda.pr.gov); Angel L. Pantoja Rodríguez, Deputy Assistant Secretary of Internal Revenue and Tax Policy (angel.pantoja@hacienda.pr.gov); Francisco Parés Alicea, Assistant Secretary of Internal Revenue and Tax Policy (francisco.pares@hacienda.pr.gov); and Francisco Peña Montañez, CPA, Assistant Secretary of the Treasury (Franciso.Pena@hacienda.pr.gov);

- xi. attorneys for the Fee Examiner, EDGE Legal Strategies, PSC, 252 Ponce de León Avenue, Citibank Tower, 12th Floor, San Juan, PR 00918, Attn: Eyck O. Lugo (elugo@edgelegalpr.com); and
- xii. attorneys for the Fee Examiner, Godfrey & Kahn, S.C., One East Main Street, Suite 500, Madison, WI 53703, Attn: Katherine Stadler (KStadler@gklaw.com).

WHEREFORE, McKinsey Washington respectfully requests payment by the Debtors of \$666,000.00, representing 90% of its fees incurred during the Fee Period and requested herein.

Dated: July 8, 2019
McKinsey & Company, Inc. Washington DC
Washington DC

s/Thomas Dohrmann

Thomas Dohrmann
Senior Partner
McKinsey & Company, Inc. Washington DC
1200 19th St NW #1000
Washington, DC 20036
Telephone: (202) 662-3100
Email: Thomas_Dohrmann@McKinsey.com
Strategic Consultant to the Debtors

EXHIBIT A

Consulting Agreement

PROPRIETARY and CONFIDENTIAL

CONSULTING AGREEMENT

McKinsey & Company, Inc. Washington D.C. ("McKinsey") and **The Financial Oversight and Management Board for Puerto Rico** (the "Board" or the "Client") hereby enter into the following terms effective July 3, 2017 in connection with consulting services that McKinsey provides to Client for Strategic Consulting support related to the Title III Litigation(the "Services").

1. **SERVICES**. The working arrangements, including scope of the Services and Deliverables (as defined below) will be described in each mutually-executed Scope of Work, attached hereto as individual Attachments and incorporated herein, and cannot be materially amended without mutual agreement of the Parties. In order to be able to complete the Services within the agreed timeframe and budget and to fulfill its responsibilities on a timely basis, McKinsey will rely on the Client's timely cooperation, including the Client and the Government of Puerto Rico's making available relevant data, information and personnel, performing any tasks or responsibilities assigned to the Client or the Government of Puerto Rico and notifying McKinsey of any issues or concerns the Client may have relating to the Services. The Client is solely responsible for ensuring that the Government of Puerto Rico cooperates with responding to requests for purposes of the Services. The parties will meet at mutually agreed times to discuss the progress of the Services and to exchange feedback. During the course of the Services, priorities may shift or unexpected events may occur which may necessitate changes to the Services. In this event, the parties will jointly discuss the anticipated impact on the Services and agree on any appropriate adjustments, including to the scope of work, timeframe and budget.

2. **COMPENSATION**. The Client shall compensate McKinsey on a Firm Fixed Price basis in connection with the Services, as set forth in the Attachments. Any payments made by the Board to McKinsey hereunder are expressed net of any deductions or withholdings that may be applicable in respect of taxes, duties or levies and the Client will pay those amounts to McKinsey, in cleared funds. The parties agree that McKinsey is solely responsible for any applicable withholding and payment of taxes with respect to McKinsey Personnel as required by law. Neither party undertakes, pursuant to his Agreement or otherwise, to perform or discharge any liability or obligation of the other party, whether regulatory or contractual, or to assume any responsibility whatsoever for the conduct of the business or operations of the other party. Consistent with the public purpose of the Client's mandate, this Agreement will be made publicly available subject to Section 5 below. McKinsey will invoice the Client for Deliverables in connection with the Services monthly or as otherwise set forth in the applicable Proposal. Except for Services provided under retainer, all invoices are to be paid in accordance with the court order setting procedures for interim compensation and reimbursement of professionals.

3. **CONFIDENTIALITY**. Subject to applicable public disclosure laws and the disclosure procedures established by Client that do not otherwise conflict with terms in this agreement, each Party agrees to keep confidential any confidential information furnished by either Party in connection with the Services ("Confidential Information"); provided, however, that the Client may disclose Confidential Information from McKinsey as necessary or desirable to carry out its statutory duties. The Client agrees to provide McKinsey prior notice of its intent to disclose Confidential Information from McKinsey. Without the Client's explicit consent, McKinsey will disclose Confidential Information only to its employees, agents and contractors who have a need to know and are bound to keep it confidential and will use Confidential Information only for purposes of performing the Services. Confidential Information shall be all information other than information that is (i) or becomes publicly available other than as a result of a breach of this agreement, (ii) already known to the Receiving Party, (iii) independently acquired or developed by the Receiving Party without violating any of its obligations under this agreement, or (iv) is legally required to be disclosed. All documents supplied by the Receiving Party Client in connection with the services hereunder will, upon written request, be returned by the Receiving Party to the Disclosing Party or destroyed, provided that the Receiving Party may retain a copy for archival purposes. In performing the Services, McKinsey will use and rely primarily on the Confidential Information and on information available from public sources without having independently verified the same and does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information and Section 5 herein.

4. **INTELLECTUAL PROPERTY**. Upon payment in full of McKinsey's Fees associated with the relevant Services, the Client will own all reports, financial models and other deliverables prepared for and furnished to the Client by McKinsey in connection with the Services (the "Deliverables"), save that McKinsey retains ownership of all concepts, know-how, tools, frameworks, models, and industry perspectives developed or enhanced outside of or in connection with the Services (the "McKinsey Tools"), it being understood that none of the McKinsey Tools will contain the Client's

Confidential Information. To the extent the Deliverables include any McKinsey Tools, McKinsey hereby grants the Client a non-exclusive, non-transferable, non-sublicenseable, worldwide, royalty-free license to use and copy the McKinsey Tools solely as part of the Deliverables and subject to the limitations herein on disclosure of McKinsey materials and publicity.

5. DISCLOSURE OF McKINSEY MATERIALS; PUBLICITY. McKinsey's work for the Client is confidential and for the Client's internal use only; provided, however, the Client may disclose such work to the extent such disclosure is necessary or desirable to carrying out the Client's statutory duties. The Client agrees that it will not disclose McKinsey's name in relation to any disclosure of work hereunder without McKinsey's consent. McKinsey will not disclose the Deliverables to any third parties (including any non-voting Board members) without the Client's prior written permission. McKinsey further agrees not to use the Client's name in any communication with any third party without the other party's prior written permission, including in press releases or other public announcements. If the Client receives a public records request for Deliverables or other documents containing McKinsey information, the Client will allow McKinsey the ability to review the documents prior to disclosure to advise if the documents contain information subject to an exception or exemption to the relevant public records law.

6. SERVING COMPETITORS. It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. Consistent with such practice and McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with the Client about McKinsey's serving the Client's competitors or other parties. To avoid situations of potential conflict, McKinsey will not, for a period of one year following an engagement for the Client, assign any consultant who receives Confidential Information in connection with such engagement to a competitively sensitive project, including a directly-conflicting engagement with the Government of Puerto Rico. Notwithstanding the foregoing, the Client understands and agrees that so long as McKinsey has appropriate procedures in place to mitigate any potential conflict, it may serve the Government of Puerto Rico on related matters.

7. INDEMNIFICATION.

(a) Deliverables produced hereunder are not intended as a substitute for financial, investment, legal, accounting or other professional advice, and McKinsey does not intend to supplant the Client or the Government of Puerto Rico's management or other decision-making bodies.

(b) The Client and the Government of Puerto Rico remain solely responsible for its decisions, actions, use of the Deliverables and compliance with applicable laws, rules and regulations. McKinsey agrees to indemnify and hold the Client harmless from and against all loss, liability, damage, cost, or expense (including reasonable attorney fees) ("Losses") to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(c) The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) relating to the Services (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services), except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(d) The Client further indemnifies McKinsey, including any member, officer or employee thereof including but not limited to the Revitalization Coordination role, in any instance where it is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with such action, suit or proceeding, unless it acted with bad faith or engaged in intentional misconduct and, with respect to any criminal action or proceeding, unless it knew or should have known the conduct was unlawful. The termination of any act, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that McKinsey (or any of its members, officers or employees) did not satisfy these standards.

Neither party will be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages. In no event shall McKinsey's liability to the Client in connection with the Services relating to an engagement for the Client exceed the amount paid to McKinsey by the Client in connection with such engagement.

8. **AUTHORITY OF THE BOARD.** The Client represents and warrants it has the authority to enter into this Agreement for the Services. In the event that it is determined that the Client did not have authority to authorize all or part of this agreement, McKinsey may make the sole determination as to whether to terminate the Agreement according to Section 10 herein, or continue with those parts of the Services for which the Client does have authority. The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) resulting from a breach of this Section 8 and/or a misrepresentation by the Client of authority to act (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services).

9. **CONFLICTS OF INTEREST.** The Client agrees that performance of Services hereunder shall not conflict McKinsey from serving the Government of Puerto Rico or any stakeholders to the work, subject to the restrictions in Section 6 – "Serving Competitors."

10. **TERM AND TERMINATION.** This agreement takes effect on the date the Services commenced and shall continue until terminated in accordance with its terms. Either party may terminate the Services at any time effective upon 30 days written notice to the other. In the event of any termination, the Client will pay McKinsey for the work completed up to the effective date of termination.

11. **MISCELLANEOUS.** This agreement and the Proposals constitute the entire agreement between the parties, and there are no prior or contemporaneous oral or written representations, understandings or agreements relating to this subject matter that are not fully expressed herein or therein. This agreement and the Proposals shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles and shall inure to the benefit of and be binding on the successors and assigns of the Client and McKinsey. The following Sections shall survive the completion or any termination of the Services: 3 (Confidentiality), 4 (Intellectual Property), 5 (Disclosure of McKinsey Materials; Publicity), 6 (Serving Competitors), 7 (Indemnification), 8 (Term and Termination) and 9 (Miscellaneous) and any other provision which by law or by its nature should survive. Neither party may assign its rights or obligations under this agreement to any person or entity without the written consent of the other party, not to be unreasonably withheld, provided, however, that either party may assign its rights and obligations under this agreement to its affiliates upon reasonable written notice to the other party but without the written consent of the other party. Assignment shall not relieve either party of its obligations hereunder. McKinsey is an independent contractor and not the Client's agent or fiduciary. Notwithstanding any course of dealings of the parties at any time or any statement to the contrary contained therein, no purchase order, invoice or other similar document issued by a party shall be construed to modify the terms of this agreement. Rights and remedies provided in this agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.

The Financial Oversight and Management Board for Puerto Rico McKinsey & Company, Inc., Washington D.C.
(Client)



Name: Natalie A. Jaresko
Title: Executive Director
Date: Sept. 12, 2017



Name: Tyler Duvall
Title: Partner
Date: September 8, 2017

ATTACHMENT 1
Scope of Work
For
Commonwealth Title III Support

Services:

In regards to support for the Commonwealth Title III proceedings to the Board to include:

Activities:

- Participation in and coordination of cross advisor meetings (Board, Commonwealth and/or Stakeholders) regarding Title III related matters
- Preparation of materials necessary for supporting Fiscal Plan litigation, which could include:
 - Assemble fact base regarding process for creation, stress testing and certification of the fiscal plan
 - Assemble fact base regarding additional analyses created for the FOMB with respect to evaluating/stress testing the FY18 fiscal plan
 - Collect and summarize key input sources and supporting analysis for key fiscal plan assumptions
 - Assemble fact base regarding process and supporting analysis used to identify and evaluate key measures proposed and finally included in the fiscal plan
 - Prepare and/or evaluate alternative fiscal plan scenario analyses in support of requested alternative contexts
 - Prepare analyses in support of litigation activities
- As needed, ad-hoc analyses and/or responses to questions regarding litigation or potential litigation relating to the Fiscal Plan or other Commonwealth Title III matters
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverable:

- Monthly report regarding liquidity performance and strategic choices on liquidity related to Title III proceedings and/or ad hoc analysis performed within that month.

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Commonwealth Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for PREPA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to PREPA, McKinsey will support the Board in the following ways:

1. Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for PREPA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the PREPA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead PREPA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with PREPA, AAFAF and its experts and advisors
- Develop transformation plan for PREPA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Detailed action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required (e.g. updated IRP for PREPA)
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board PREPA subcommittee to provide updates and take guidance on PREPA transformation and Title III
- Monitor implementation of all aspects of the PREPA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

- Conduct limited market engagement as necessary to identify potential privatization options for PREPA
- Lead development of an integrated resource plan for PREPA to support the Transformation Plan in coordination with PREC and PREPA
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for HTA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance
- Support litigation related to the HTA proceedings, which has commenced

- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$720,000 per month and will continue so long as the HTA Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support, this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

**FIRST AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS FIRST AMENDMENT to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

WHEREAS, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

WHEREAS, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

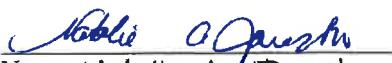
"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

IN WITNESS WHEREOF, the parties have executed this First Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico**


Name: Natalie A. Jaresko
Title: Executive Director
Date:

McKinsey & Company, Inc., Washington D.C.


Name: Tyler Duval
Title: Principal
Date: March 8, 2018

AMENDED ATTACHMENT 1
Scope of Work For Commonwealth Title III Support

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

Support for the Commonwealth Title III proceedings to the Board to include the following:

I. *Measure:*

- Revising fiscal measures contained in the March 13th Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

II. *Baseline and Macro:*

- Reviewing full certified March 13th Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

III. *Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:*

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan

- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

AMENDED ATTACHMENT 3
Scope of Work For Title III Support for HTA

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**

December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

** For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).



**SECOND AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC
AND THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS SECOND AMENDMENT to the Consulting Agreement (the “Second Amendment”) effective date of April 1, 2018, is entered into by and between McKinsey & Company, Inc. Washington D.C. (“McKinsey”) and The Financial Oversight and Management Board for Puerto Rico (the “Board” or the “Client”) (together, the “Parties”).

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the “Consulting Agreement”) for strategic consulting support related to Commonwealth Title III Support (the “Services”); and

WHEREAS, effective November 1, 2017, the Parties amended the Consulting Agreement to expand the scope of services to support the Board in connection with the required re-construction of the fiscal plan post-Hurricane (the “First Amendment”); and

WHEREAS, the Parties now desire to make additional amendments the Consulting Agreement to extend its duration and make modifications to the scope of services, as set forth below; and

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

For both “Commonwealth Title III Support” and “Title III Support for HTA”, the period of performance shall be extended through June 30, 2019. For this period of performance, the scope of services for “Commonwealth Title III Support” is reflected in the “Second Amended Attachment 1 Scope of Work for Commonwealth Title III Support”, attached hereto; and the scope of services for “Title III Support for HTA” is reflected in the “Second Amended Attachment 3 Scope of Work for Title III Support for HTA”, attached hereto. For the avoidance of confusion, “Title III Support for PREPA”, as memorialized in the Consulting Agreement, shall remain unchanged. If additional services, activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This Second Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this Second Amendment. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this Second Amendment, all other terms of the Consulting Agreement and First Amendment shall remain in full force and effect, unaltered and unchanged by this Second Amendment.

IN WITNESS WHEREOF, the parties have executed this Second Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico** **McKinsey & Company, Inc., Washington D.C.**

Natalie A. Jaresko

Name: Natalie A. Jaresko

Title: Executive Director

Tyler Duvall

Name: Tyler Duvall

Title Partner

SECOND AMENDED ATTACHMENT 3
Scope of Work for Title III Support for HTA

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Title III Support for HTA.

From **May 2018 – June 2019**, the scope of work shall be as follows:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational efficiency measures focused on near and immediate term actions to maintain sustainable operations
 - Capex program priorities and efficiency measures
 - Opportunities to increase revenues
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure and implementation plans
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$425,000
May 2018 – June 2019	\$310,000/month

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

SECOND AMENDED ATTACHMENT 1
Scope of Work for Commonwealth Title III Support

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Commonwealth Title III Support.

From **May 2018 – June 2019**, the scope of work shall be as follows:

Support for the Commonwealth Title III proceedings to the Board to include the following:

Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meeting
- Prepare content and analyses and work alongside FOMB, government and stakeholders advisors with regards to development of Plan(s) of Adjustment
- Lead preparation of “best interests” analysis in coordination with other FOMB advisors
- Lead any further development, refinement or updates to fiscal plan and/or models working with Board staff, the Board and the Government
- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan
- Prepare analyses, support FOMB counsel and lead coordination of information diligence related to potential litigation involving the certified Fiscal Plan and/or other CW Title III matters
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony. If additional expert testimony is required, the Parties will negotiate additional fees.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$1,940,000
May 2018 – June 2019	\$1,417,500/month

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

EXHIBIT B

Certification of McKinsey Washington Senior Partner Thomas Dohrmann

**UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO**

In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17-04780 (LTS)

PUERTO RICO ELECTRIC POWER
AUTHORITY (“PREPA”),

(Jointly Administered)

Debtors.

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CERTIFICATION OF THOMAS DOHRMANN

I, Thomas Dohrmann, hereby declare the following under penalty of perjury:

1. I am one of the McKinsey Washington Partners providing consulting services related to the above-captioned Title III case;
2. I have been involved in, and managed the provision of professional services rendered by McKinsey Washington as strategic consultant to The Financial Oversight And Management Board For Puerto Rico, as representative of Debtors and am generally familiar with the work performed by the Partners, managers, associates, and other persons in the Firm;
3. The facts set forth in the foregoing Sixteenth Monthly Fee Statement: Title III Support for PREPA are true and correct to the best of my knowledge, information, and belief;
4. I have reviewed the Interim Compensation Procedures and believe that McKinsey Washington’s Sixteenth Monthly Fee Statement: Title III Support for PREPA complies therewith; and
5. In accordance with Section 11.a. of the Interim Compensation Procedures, I hereby certify as follows:

- i. No public servant of the Department of Treasury is a party to or has any interest in the gains or benefits derived from the Consulting Agreement (the contract) that is the basis of this invoice;
- ii. The only consideration for providing services under the Consulting Agreement (the contract) is the payment agreed upon with the authorized representatives of the Debtors;

- iii. The amount of this invoice is reasonable;
- iv. The services were rendered and the corresponding payment has not been made; and
- v. To the best of my knowledge, McKinsey Washington does not have any debts owed to the Government of Puerto Rico or its instrumentalities.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: July 8, 2019
Washington, DC

s/Thomas Dohrmann

Thomas Dohrmann
Senior Partner
McKinsey & Company, Inc. Washington DC

EXHIBIT C

Certification of FOMB Executive Director Natalie Jaresko

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,
et al.

(Jointly Administered)

Debtors.

**CERTIFICATION OF THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO AUTHORIZING SUBMISSION OF MCKINSEY WASHINGTON'S
MONTHLY FEE STATEMENTS FOR THE MONTH OF APRIL 2019**

In accordance with the Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals [Docket Number 3269, June 6, 2018] ("Interim Compensation Procedures"), I hereby certify as follows:

1. I am the Executive Director of The Financial Oversight And Management Board For Puerto Rico ("FOMB");
2. On or about July 3, 2017, on my authorization, FOMB entered into a consulting agreement with McKinsey Washington for consulting services in support of the Title III litigation, which was first amended effective November 1, 2017, and amended again effective April 1, 2018 (the "Consulting Agreement");
3. McKinsey Washington has satisfactorily performed and fulfilled its obligations under the Consulting Agreement for the services provided in April 2019 under each of the three (3) workstreams of the Consulting Agreement, namely "Commonwealth Title III Support", "Title III Support for PREPA", and "Title III Support for HTA"; now, therefore,
4. Pursuant to Section 11.b. of the Interim Compensation Procedures, McKinsey Washington is hereby authorized to submit its Monthly Fee Statements for the allowance of compensation for reasonable and necessary strategic consulting services and support

provided during the month of April 2019, pursuant to each of the three (3) workstreams of the Consulting Agreement, namely “Commonwealth Title III Support”, “Title III Support for PREPA”, and “Title III Support for HTA.”

Dated: June 10, 2019



Natalie Jaresko, Executive Director
The Financial Oversight and
Management Board for Puerto Rico

EXHIBIT D

Title III Support for PREPA

April 2019

Summary of Work

In the month of April, the PREPA Title III team continued to work with PREPA to develop the Fiscal Plan. The team reviewed Fiscal Plan chapter drafts on Executive Summary, Governance and Implementation, Historical Context and Challenges, Privatization, and Post-Certification Reporting. The team also reviewed and commented on a revised Table of Contents for the Fiscal Plan. The team continued to prepare for and attend working sessions between the Board and PREPA, which were held on 4/16 and 4/23. The team also participated in a similar working session call on load forecasts on 4/11.

The team reviewed submissions on the Fiscal Plan model and Budget on 4/12 and 4/27, and used the submission on 4/27 to draft a Notice of Violation. This was used for discussion with the Board on 5/3. Finally, the team revised the submission timeline for the plan and held its weekly check-in call with PREPA on 4/12.

The team focused on three areas highlighted, implementation reviews and contracts review.

For implementation reporting and tracking, the team shared best practices with PREPA on overtime reduction and for designing, negotiating, and awarding renewable PPAs. The team continued to meet with initiative owners to discuss the progress of initiatives (CILT, Economic Dispatch, E-Billing, Overtime reduction, Smart Meters/Meter Replacement, Vegetation Management, Call Center Ops, Real Estate Optimization, Personnel Capacity Assessment, and Contract Management Improvement). Finally, the team submitted to the Board a summary of initiative status updates based on April implementation reports, and from meetings with initiative owners.

In April, the team initiated a review of the bunker fuel contract and prepared an initial request for additional information. In addition, the team continued its review of the contract for acquisition of mobile generators, and prepared clarification questions for information needed to recommend approval of the contract. The team also reviewed Act 258-2018 for compliance with Fiscal Plan.

The team also reviewed budget reallocation requests to fund acquisition of replacement meters and mobile generators. As part of this process, the team prepared two letters requesting additional information, delivered on 4/1 and 4/11 respectively. The team also prepared letters approving the reapportionment, delivered on 4/11 and 4/13.

The team conducted a detailed analysis of the accounts receivable data of PREPA for Commonwealth government accounts to understand the balance owed to PREPA in FY20, FY19,

and years prior. The team shared results with the Board to calculate appropriate allocation for the FY20 Budget of Commonwealth entities.

Finally, the team continued its review and analysis of iterations of proposed demand protection terms, and shared its takeaways with the Board. The team also participated in discussion calls with creditors and other advisors to help finalize the final demand protection term sheet.

McKinsey Washington's PREPA Title III Team Detailed Activities by Deliverable

- **Fiscal Plan and Budget**
 - Reviewed Fiscal Plan draft chapters on Executive Summary, Governance and Implementation, Historical Context and Challenges, Privatization, and Post-Certification Reporting
 - Reviewed PREPA comments and finalized Fiscal Plan table of contents
 - Prepared for and participated in Fiscal Plan working sessions on between Board and PREPA on 4/16 and 4/23, and synthesized notes from the working session
 - Reviewed Fiscal Plan model and Budget submissions on 4/12 and 4/27
 - Reviewed Fiscal Plan submission (revised) timeline
 - Prepared discussion materials for Board meeting on 5/3, based on the draft Fiscal Plan submission on 4/27
 - Drafted the Notice of Violation on the 4/27 draft Fiscal Plan submission, based on 4/2 submission
 - Attended working session call with PREPA on a revised approach to load forecast on 4/11
 - Prepared Fiscal Plan outline pages on historical overview of expense sub-categories, generation mix, and operational initiatives
 - Prepared Fiscal Plan draft pages on post-certification reporting and future challenges
 - Prepared materials for and participated in Fiscal Plan weekly check-in on 4/12
- **Implementation reporting and tracking for PREPA transformation and transaction:**
 - Prepared discussion materials for and met with PREPA on 4/10 and 4/11 on implementation status of the following initiatives: CILT, Economic Dispatch, E-Billing, Overtime reduction, Smart Meters/Meter Replacement, and Vegetation Management.
 - Prepared discussion materials for and met with PREPA on 4/24 on implementation status of the following initiatives: Call Center Ops, Real Estate Optimization, Personnel Capacity Assessment, and Contract Management Improvement.
 - Submitted to the Board a summary of initiative status updates based on April implementation reports, and from meetings with initiative owners
 - Shared with PREPA best practices for overtime reduction
 - Shared best practices for designing, negotiating and awarding renewable PPAs

- Summarized Financial & Operational tracking weekly reports to Board
 - Attended Creditor call on 4/12 and summarized notes for Board review
- Contract review
 - Initiated review of the bunker fuel contract and prepared initial request for additional information
 - Reviewed contract for acquisition of mobile generators, prepared clarification questions for information needed to recommend approval of the contract
- Legislation and regulation review to assess alignment with Fiscal Plan
 - Reviewed Act 258-2018 for compliance with Fiscal Plan
- Others
 - Reviewed budget reallocation request to fund acquisition of replacement meters and mobile generators. As part of this process, prepared two letters requesting additional information, delivered on 4/1 and 4/11 respectively. Finally, prepared two letters approving the reapportionment, delivered on 4/11 and 4/13
 - Analyzed accounts receivables data of PREPA for Commonwealth government accounts to understand balance owed to PREPA in FY20, FY19, and years prior to FY19. Shared results with the Board to calculate appropriate allocation for the FY20 Budget of Commonwealth entities
 - Reviewed and analyzed iterations of proposed demand protection terms, and shared takeaways with the Board. Participated in discussion calls with creditors and other advisors to help finalize the final demand protection term sheet

McKinsey Washington's PREPA Title III Team Detail and Contributions

The McKinsey team was led by Partners (Tyler Duvall, Bertil Chappuis and Matt Rogers) who provided overall quality control and stakeholder management as well as an Expert Associate Partner (Aaron Bielenberg) who led the working team. The working team consisted of one Engagement Manager and three Associates.

- Bertil Chappuis (Senior Partner – part-time – overall strategic direction):
 - Participated in meetings with Board Staff regarding the implementation of the PREPA Fiscal Plan and development of the budget
 - Participated in weekly executive Board meetings and advised on key PREPA decisions on the implementation of the PREPA Fiscal Plan
- Matt Rogers (Senior Partner – part-time – strategic direction primarily regarding power & utilities)
 - Provided overall quality control on team content and stakeholder management with Board, FOMB staff, and co-advisors
 - Provided substantive guidance on the fixed charges associated with demand protection based on his vast experience of working with utilities around the country

- Attended weekly working sessions with team to guide content and scope of team engagement
- Tyler Duvall (Partner – part-time – overall strategic direction)
 - Participated in weekly working sessions with team to guide work, address cross team issues, and ensure consistency of deliverables where appropriate
 - Facilitated stakeholder management at the FOMB staff and Board level
- Aaron Bielenberg (Associate Partner – part-time – strategic direction, primarily in power, utilities and restructuring)
 - Participated in daily working sessions with team to guide work, address cross team issues, and provide content knowledge
 - Attended executive level Board meetings to review progress and advise on key PREPA decisions on the implementation of the PREPA Fiscal Plan
 - Reviewed and provided input for all team deliverables (implementation updates of PREPA Fiscal Plan measures, financial & operational tracking, Proposed Budget, Fiscal Plan draft templates and comments on PREPA submissions, memos to Board, and meeting materials)
 - Attended meetings with PREPA, including implementation updates on initiatives, and Fiscal Plan working sessions and check in calls
 - Attended and participated in meetings with the legal team representing PREPA on demand protection to help identify issues with the proposal from the bond holders
- AK Mahadevan (Engagement Manager – full-time – overall management and fiscal plan, model and budget, implementation, stakeholder engagement)
 - Attended weekly Executive Level calls and oversaw analyses and material development to inform Board discussions related to PREPA Fiscal Plan and transformation
 - Led daily problem-solving sessions with the full team, coordinating and prioritizing team deliverables across all workstreams
 - Attended and participated in all meetings with PREPA on implementation of all initiatives
 - Prepared for and attended all calls and meetings related to the Fiscal Plan, providing broad oversight and guidance with other team members
 - Reviewed all draft memos, summaries, and reports by other team members, including providing comments and revisions on initial drafts, prior to submission to Board
 - Reviewed and analyzed iterations of proposed demand protection terms, and shared takeaways with the Board. Participated in discussion calls with creditors and other advisors to help finalize the final demand protection term sheet
- Ankit Saraf (Associate – full-time – fiscal plan, budget, accounts receivables review, and other)
 - Attended Creditor call on 4/12 and summarized notes for Board review

- Co-reviewed Fiscal Plan draft chapters on Executive Summary, Governance and Implementation, Historical Context and Challenges, Privatization, and Post-Certification Reporting
- Co-reviewed Fiscal Plan model and Budget submissions on 4/12 and 4/27
- Attended and participated in PREPA Fiscal Plan working sessions on 4/16 and 4/23
- Co-reviewed Fiscal Plan submission timeline
- Co-prepared materials for board meeting on 5/3, based on 4/27 submission
- Co-prepared draft of Notice of Violation for the 4/27 draft Fiscal Plan submission, based on 4/2 submission
- Attended working session call on PREPA load forecast on 4/11
- Attended and prepared materials for Fiscal Plan weekly check-ins on 4/12
- Analyzed accounts receivables data of PREPA for Commonwealth government accounts to understand balance owed to PREPA in FY20, FY19, and years prior to FY19. Shared results with the Board to calculate appropriate allocation for the FY20 Budget of Commonwealth entities
- Max Grass Araya (Associate – full-time – implementation monitoring and reporting)
 - Reviewed Act 258-2018 for compliance with Fiscal Plan
 - Reviewed budget reallocation request to fund acquisition of replacement meters and mobile generators. As part of this process, prepared two letters requesting additional information, delivered on 4/1 and 4/11 respectively. Finally, prepared two letters approving the reapportionment, delivered on 4/11 and 4/13
 - Reviewed contract for acquisition of mobile generators, prepared clarification questions for information needed to recommend approval of the contract
 - Prepared discussion materials for and met with PREPA on 4/10 and 4/11 on implementation status of the following initiatives: CILT, Economic Dispatch, E-Billing, Overtime reduction, Smart Meters/Meter Replacement, and Vegetation Management.
 - Prepared discussion materials for, and met with PREPA on 4/24 on implementation status of the following initiatives: Call Center Ops, Real Estate Optimization, Personnel Capacity Assessment, and Contract Management Improvement
 - Submitted to the Board a summary of initiative status updates based on April implementation reports, and from meetings with initiative owners
 - Shared with PREPA best practices for overtime spend reduction
 - Shared best practices for designing, negotiating and awarding Renewable PPAs with the Board
 - Initiated review of the bunker fuel contract and prepared initial request for additional information
- Rachel Wang (Associate – full-time – fiscal plan, budget, legislation review, and other)

- Co-reviewed Fiscal Plan draft chapters on Executive Summary, Governance and Implementation, Historical Context and Challenges, Privatization, and Post-Certification Reporting
 - Prepared Fiscal Plan outline pages on historical overview of expense sub-categories, generation mix, and operational initiatives
 - Prepared Fiscal Plan draft pages on post-certification reporting and future challenges
 - Co-reviewed Fiscal Plan model and Budget submissions on 4/12 and 4/27
 - Prepared meeting materials for, and participated in PREPA working sessions on 4/16 and 4/23. Synthesized working session notes
 - Reviewed PREPA comments and finalized Fiscal Plan table of contents
 - Co-prepared materials for board meeting on 5/3, based on 4/27 submission
 - Co-prepared draft of Notice of Violation for the 4/27 draft Fiscal Plan submission, based on 4/2 submission
 - Attended working session call on PREPA load forecast on 4/11
 - Attended and prepared materials for Fiscal Plan weekly check-ins on 4/12
-
- Adam Kendall (Partner – Expert– Purchase of generators)
 - Provided guidance on how utilities decide on buy/lease decisions with generators
 - Provided inputs on capacity factors to consider while making decision to buy Peaker Generators

EXHIBIT E

April 2019 Invoice

McKinsey&Company

The Financial Oversight and Management
Board for Puerto Rico
PO Box 195556
San Juan, Puerto Rico 00919-5556

ATTN: Promesa Assistant
accountspayable@promesa.gov

Invoice No: USQ-4471IW-5758

Consulting Agreement
Client for Strategic Consulting support related to the
Title III Cases
Effective Agreement Date: July 3, 2017

Invoice Date: 05/30/2019

Net 30

FFP Payment Schedule for PREPA Services

Invoice PoP: April 1, 2019 – April 30, 2019

Gross invoice amount for services performed outside Puerto Rico:	\$ 357,376.72
Gross invoice amount for services performed in Puerto Rico:	\$ 538,906.03
Subtotal	\$ 896,282.75
Less withholding tax deducted at source	\$ (156,282.75)
Net Invoice Payable:	\$ 740,000.00

Total Invoice Amount: \$740,000.00

McKinsey reserves the right to reissue an invoice to account for changes in applicable taxes.

Please wire transfer payment to:
McKinsey & Company, Inc.
Citibank N.A.
Bank Account Number: [REDACTED]
Bank ABA Routing Number: [REDACTED]

If remitting by check please send check to:
McKinsey & Company, Inc.
P.O. Box 7247-7255
Philadelphia, PA 19170-7255

Federal Tax ID#: 56-2405213

Please reference the invoice number and invoice date on your remittance advice.

For advice or questions on remittances, please contact Pamela Wertz 202-662-0060 or Jordan Mandell 202-662-0938.

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

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In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17-04780 (LTS)

PUERTO RICO ELECTRIC POWER
AUTHORITY (“PREPA”),

Debtors.¹

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**SEVENTEENTH MONTHLY FEE STATEMENT
OF MCKINSEY & COMPANY, INC. WASHINGTON D.C. FOR COMPENSATION
FOR SERVICES RENDERED TO THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO, AS REPRESENTATIVE OF
DEBTORS, PUERTO RICO ELECTRIC POWER AUTHORITY (“PREPA”)
FOR THE PERIOD MAY 1, 2019 THROUGH MAY 31, 2019**

Name of Professional: McKinsey & Company, Inc. Washington D.C.
("McKinsey Washington")

Authorized to Provide Services to: The Financial Oversight and Management Board for
Puerto Rico, as Representative of the Debtors
Pursuant to PROMESA Section 315(b)

Period for which compensation
and reimbursement is sought: May 1, 2019 - May 31, 2019

Amount of compensation sought
as actual, reasonable and necessary: \$740,000.00

Amount of expense reimbursement sought
sought as actual, reasonable and necessary²: \$0.00

Type of Fee Statement: Seventeenth Monthly Fee Statement:
Title III Support for PREPA³

¹ The last four (4) digits of PREPA’s federal tax identification number are 3747.

² McKinsey Washington provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

³ Notice of this Seventeenth Monthly Fee Statement (as defined herein) has been served in accordance with the Interim Compensation Procedures (as defined herein) and objections to payment of the amounts described in this Seventeenth Monthly Fee Statement shall be addressed in accordance with the Interim Compensation Procedures.

1. Pursuant to the *Interim Compensation Procedures*, first entered by the Court on November 8, 2017 [*First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 1715] and amended on June 6, 2018 [*Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 3269] (the “*Interim Compensation Procedures*”), the applicable provisions of the United States Code (the “*Bankruptcy Code*”), the Federal Rules of Bankruptcy Procedure (the “*Bankruptcy Rules*”), and the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Puerto Rico (the “*Local Rules*”), McKinsey & Company, Inc. Washington DC (“*McKinsey Washington*”), strategic consultants to The Financial Oversight And Management Board For Puerto Rico, as representative of Debtors, Puerto Rico Electric Power Authority (“*PREPA*”, the “*Debtors*” or the “*Board*”), hereby serves this Seventeenth Monthly Fee Statement for the allowance of compensation for reasonable and necessary strategic consulting services and support that *McKinsey Washington* provided during the month of May 2019 (the “*Fee Period*”) pursuant to the “*Title III Support for PREPA*” Scope of Work (“*PREPA Scope of Work*”) of the consulting agreement entered into between *McKinsey Washington* and the *Board* for consulting services in support of the Title III litigation (Contract dated July 3, 2017, with Amendment No. 1 effective November 1, 2017 and Amendment No. 2 effective April 1, 2018) (the “*Consulting Agreement*”), attached hereto as Exhibit A. Pursuant to the *Interim Compensation Procedures*, *Bankruptcy Code*, the *Bankruptcy Rules* and the *Local Rules*, a Certification of Thomas Dohrmann, a Senior Partner of *McKinsey Washington*, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit B, and a Certification of Natalie Jaresko, Executive Director of the *Board*, authorizing the submission of this Seventeenth Monthly Fee Statement, is attached as Exhibit C.

2. By this Seventeenth Monthly Fee Statement: Title III Support for PREPA, McKinsey Washington seeks allowance of compensation for services rendered under the Consulting Agreement during the Fee Period in the amount of \$666,000.00 (which equals 90% of the compensation sought herein, in accordance with Section 2.c of the Interim Compensation Order).

Summary of Services Rendered During the Fee Period

3. During the Fee Period, McKinsey Washington provided a focused range of professional services as requested by the Board and reflected in the PREPA Scope of Work.⁴
4. Included at Exhibit D is a detailed summary of McKinsey Washington's scope of services, deliverables and team member activities performed pursuant to the PREPA Scope of Work during the Fee Period. Exhibit D also specifically identifies the McKinsey Washington team members who performed services during the Fee Period.
5. Included at Exhibit E is a copy of McKinsey Washington's monthly invoice⁵ for fees incurred during the Fee Period pursuant to the PREPA Scope of Work. As reflected in Exhibit E, McKinsey Washington incurred \$740,000.00 in fees during the Fee Period, and now seeks reimbursement for 90% of such fees (\$666,000.00).
6. McKinsey Washington's fees – as agreed-upon in the Consulting Agreement and reflected in the invoice – are based on the usual and customary fees McKinsey Washington charges to clients and are commensurate with the services performed.
7. The efforts expended by McKinsey Washington during the Fee Period have been commensurate with the size and complexity of these cases. In rendering these services,

⁴ McKinsey Washington is simultaneously serving separate monthly fee statements for services rendered pursuant to the other two (2) Scopes of Work under the Consulting Agreement.

⁵ The invoice included at Exhibit E reflects Puerto Rico withholding tax (29%). McKinsey Washington has calculated the proportion of work performed in Puerto Rico in a manner that is consistent with the terms of the Consulting Agreement.

McKinsey Washington has made every effort to maximize the benefit to the Debtors, to work efficiently with the other professionals employed in these cases, and to leverage staff appropriately in order to minimize duplication of effort.

8. McKinsey Washington respectfully submits that the amounts applied for herein for professional services rendered on behalf of the Board in these cases to date are fair and reasonable given: (a) the time expended; (b) the nature and extent of the services performed at the time at which such services were rendered; and (c) the value of such services.

Representations

9. While every effort has been made to include all fees incurred by McKinsey Washington during the Fee Period, some fees may not be included in this Seventeenth Monthly Fee Statement: Title III Support for PREPA due to certain unavoidable delays caused by accounting and processing during the Fee Period. McKinsey Washington reserves the right to make further application(s) for allowance of such fees not included herein. Subsequent fee statements and applications will be filed in accordance with the Interim Compensation Procedures, the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules.

Notice

10. Notice of this Seventeenth Monthly Fee Statement: Title III Support for PREPA has been or will be provided by overnight delivery or e-mail to:
 - i. attorneys for the Oversight Board, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, Attn: Martin J. Bienenstock, Esq. (mbienenstock@proskauer.com) and Ehud Barak, Esq. (ebarak@proskauer.com), and Proskauer Rose LLP, 70 West Madison Street, Chicago, IL 60602, Attn: Paul V. Possinger, Esq. (ppossinger@proskauer.com);
 - ii. attorneys for the Oversight Board, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918, Attn: Hermann D. Bauer, Esq. (hermann.bauer@oneillborges.com);

- iii. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, NY 10036, Attn: John J. Rapisardi, Esq. (jrapisardi@omm.com), Suzanne Uhland, Esq. (suhland@omm.com), and Diana M. Perez, Esq. (dperez@omm.com);
- iv. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, Marini Pietrantoni Muñiz LLC, MCS Plaza, Suite 500, 255 Ponce de León Ave, San Juan, PR 00917, Attn: Luis C. Marini-Biaggi, Esq. (lmarini@mpmlawpr.com) and Carolina Velaz-Rivero Esq. (cvelaz@mpmlawpr.com);
- v. the Office of the United States Trustee for the District of Puerto Rico, Edificio Ochoa, 500 Tanca Street, Suite 301, San Juan, PR 00901 (re: In re: Commonwealth of Puerto Rico);
- vi. attorneys for the Official Committee of Unsecured Creditors, Paul Hastings LLP, 200 Park Ave., New York, NY 10166, Attn: Luc. A Despins, Esq. (lucdespins@paulhastings.com);
- vii. attorneys for the Official Committee of Unsecured Creditors, Casillas, Santiago & Torres LLC, El Caribe Office Building, 53 Palmeras Street, Ste. 1601, San Juan, PR 00901, Attn: Juan J. Casillas Ayala, Esq. (jcillas@cstlawpr.com) and Alberto J.E. Añeses Negrón, Esq. (añeses@cstlawpr.com);
- viii. attorneys for the Official Committee of Retired Employees, Jenner & Block LLP, 919 Third Ave., New York, NY 10022, Attn: Robert Gordon, Esq. (rgordon@jenner.com) and Richard Levin, Esq. (rlevin@jenner.com), and Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654, Attn: Catherine Steege, Esq. (cstegee@jenner.com) and Melissa Root, Esq. (mroot@jenner.com);
- ix. attorneys for the Official Committee of Retired Employees, Bennazar, García & Milián, C.S.P., Edificio Union Plaza, PH-A, 416 Ave. Ponce de León, Hato Rey, PR 00918, Attn: A.J. Bennazar-Zequera, Esq. (ajb@bennazar.org);
- x. the Puerto Rico Department of Treasury, PO Box 9024140, San Juan, PR 00902-4140, Attn: Reylam Guerra Goderich, Deputy Assistant of Central Accounting (Reylam.Guerra@hacienda.pr.gov); Omar E. Rodríguez Pérez, CPA, Assistant Secretary of Central Accounting (Rodriguez.Omar@hacienda.pr.gov); Angel L. Pantoja Rodríguez, Deputy Assistant Secretary of Internal Revenue and Tax Policy (angel.pantoja@hacienda.pr.gov); Francisco Parés Alicea, Assistant Secretary of Internal Revenue and Tax Policy

(francisco.pares@hacienda.pr.gov); and Francisco Peña Montañez, CPA, Assistant Secretary of the Treasury (Franciso.Pena@hacienda.pr.gov);

- xi. attorneys for the Fee Examiner, EDGE Legal Strategies, PSC, 252 Ponce de León Avenue, Citibank Tower, 12th Floor, San Juan, PR 00918, Attn: Eyck O. Lugo (elugo@edgelegalpr.com); and
- xii. attorneys for the Fee Examiner, Godfrey & Kahn, S.C., One East Main Street, Suite 500, Madison, WI 53703, Attn: Katherine Stadler (KStadler@gklaw.com).

WHEREFORE, McKinsey Washington respectfully requests payment by the Debtors of \$666,000.00, representing 90% of its fees incurred during the Fee Period and requested herein.

Dated: July 8, 2019
McKinsey & Company, Inc. Washington DC
Washington DC

s/Thomas Dohrmann

Thomas Dohrmann
Senior Partner
McKinsey & Company, Inc. Washington DC
1200 19th St NW #1000
Washington, DC 20036
Telephone: (202) 662-3100
Email: Thomas_Dohrmann@Mckinsey.com
Strategic Consultant to the Debtors

EXHIBIT A

Consulting Agreement

PROPRIETARY and CONFIDENTIAL

CONSULTING AGREEMENT

McKinsey & Company, Inc. Washington D.C. ("McKinsey") and **The Financial Oversight and Management Board for Puerto Rico** (the "Board" or the "Client") hereby enter into the following terms effective July 3, 2017 in connection with consulting services that McKinsey provides to Client for Strategic Consulting support related to the Title III Litigation(the "Services").

1. **SERVICES**. The working arrangements, including scope of the Services and Deliverables (as defined below) will be described in each mutually-executed Scope of Work, attached hereto as individual Attachments and incorporated herein, and cannot be materially amended without mutual agreement of the Parties. In order to be able to complete the Services within the agreed timeframe and budget and to fulfill its responsibilities on a timely basis, McKinsey will rely on the Client's timely cooperation, including the Client and the Government of Puerto Rico's making available relevant data, information and personnel, performing any tasks or responsibilities assigned to the Client or the Government of Puerto Rico and notifying McKinsey of any issues or concerns the Client may have relating to the Services. The Client is solely responsible for ensuring that the Government of Puerto Rico cooperates with responding to requests for purposes of the Services. The parties will meet at mutually agreed times to discuss the progress of the Services and to exchange feedback. During the course of the Services, priorities may shift or unexpected events may occur which may necessitate changes to the Services. In this event, the parties will jointly discuss the anticipated impact on the Services and agree on any appropriate adjustments, including to the scope of work, timeframe and budget.

2. **COMPENSATION**. The Client shall compensate McKinsey on a Firm Fixed Price basis in connection with the Services, as set forth in the Attachments. Any payments made by the Board to McKinsey hereunder are expressed net of any deductions or withholdings that may be applicable in respect of taxes, duties or levies and the Client will pay those amounts to McKinsey, in cleared funds. The parties agree that McKinsey is solely responsible for any applicable withholding and payment of taxes with respect to McKinsey Personnel as required by law. Neither party undertakes, pursuant to his Agreement or otherwise, to perform or discharge any liability or obligation of the other party, whether regulatory or contractual, or to assume any responsibility whatsoever for the conduct of the business or operations of the other party. Consistent with the public purpose of the Client's mandate, this Agreement will be made publicly available subject to Section 5 below. McKinsey will invoice the Client for Deliverables in connection with the Services monthly or as otherwise set forth in the applicable Proposal. Except for Services provided under retainer, all invoices are to be paid in accordance with the court order setting procedures for interim compensation and reimbursement of professionals.

3. **CONFIDENTIALITY**. Subject to applicable public disclosure laws and the disclosure procedures established by Client that do not otherwise conflict with terms in this agreement, each Party agrees to keep confidential any confidential information furnished by either Party in connection with the Services ("Confidential Information"); provided, however, that the Client may disclose Confidential Information from McKinsey as necessary or desirable to carry out its statutory duties. The Client agrees to provide McKinsey prior notice of its intent to disclose Confidential Information from McKinsey. Without the Client's explicit consent, McKinsey will disclose Confidential Information only to its employees, agents and contractors who have a need to know and are bound to keep it confidential and will use Confidential Information only for purposes of performing the Services. Confidential Information shall be all information other than information that is (i) or becomes publicly available other than as a result of a breach of this agreement, (ii) already known to the Receiving Party, (iii) independently acquired or developed by the Receiving Party without violating any of its obligations under this agreement, or (iv) is legally required to be disclosed. All documents supplied by the Receiving Party Client in connection with the services hereunder will, upon written request, be returned by the Receiving Party to the Disclosing Party or destroyed, provided that the Receiving Party may retain a copy for archival purposes. In performing the Services, McKinsey will use and rely primarily on the Confidential Information and on information available from public sources without having independently verified the same and does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information and Section 5 herein.

4. **INTELLECTUAL PROPERTY**. Upon payment in full of McKinsey's Fees associated with the relevant Services, the Client will own all reports, financial models and other deliverables prepared for and furnished to the Client by McKinsey in connection with the Services (the "Deliverables"), save that McKinsey retains ownership of all concepts, know-how, tools, frameworks, models, and industry perspectives developed or enhanced outside of or in connection with the Services (the "McKinsey Tools"), it being understood that none of the McKinsey Tools will contain the Client's

Confidential Information. To the extent the Deliverables include any McKinsey Tools, McKinsey hereby grants the Client a non-exclusive, non-transferable, non-sublicenseable, worldwide, royalty-free license to use and copy the McKinsey Tools solely as part of the Deliverables and subject to the limitations herein on disclosure of McKinsey materials and publicity.

5. DISCLOSURE OF McKINSEY MATERIALS; PUBLICITY. McKinsey's work for the Client is confidential and for the Client's internal use only; provided, however, the Client may disclose such work to the extent such disclosure is necessary or desirable to carrying out the Client's statutory duties. The Client agrees that it will not disclose McKinsey's name in relation to any disclosure of work hereunder without McKinsey's consent. McKinsey will not disclose the Deliverables to any third parties (including any non-voting Board members) without the Client's prior written permission. McKinsey further agrees not to use the Client's name in any communication with any third party without the other party's prior written permission, including in press releases or other public announcements. If the Client receives a public records request for Deliverables or other documents containing McKinsey information, the Client will allow McKinsey the ability to review the documents prior to disclosure to advise if the documents contain information subject to an exception or exemption to the relevant public records law.

6. SERVING COMPETITORS. It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. Consistent with such practice and McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with the Client about McKinsey's serving the Client's competitors or other parties. To avoid situations of potential conflict, McKinsey will not, for a period of one year following an engagement for the Client, assign any consultant who receives Confidential Information in connection with such engagement to a competitively sensitive project, including a directly-conflicting engagement with the Government of Puerto Rico. Notwithstanding the foregoing, the Client understands and agrees that so long as McKinsey has appropriate procedures in place to mitigate any potential conflict, it may serve the Government of Puerto Rico on related matters.

7. INDEMNIFICATION.

(a) Deliverables produced hereunder are not intended as a substitute for financial, investment, legal, accounting or other professional advice, and McKinsey does not intend to supplant the Client or the Government of Puerto Rico's management or other decision-making bodies.

(b) The Client and the Government of Puerto Rico remain solely responsible for its decisions, actions, use of the Deliverables and compliance with applicable laws, rules and regulations. McKinsey agrees to indemnify and hold the Client harmless from and against all loss, liability, damage, cost, or expense (including reasonable attorney fees) ("Losses") to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(c) The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) relating to the Services (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services), except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(d) The Client further indemnifies McKinsey, including any member, officer or employee thereof including but not limited to the Revitalization Coordination role, in any instance where it is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with such action, suit or proceeding, unless it acted with bad faith or engaged in intentional misconduct and, with respect to any criminal action or proceeding, unless it knew or should have known the conduct was unlawful. The termination of any act, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that McKinsey (or any of its members, officers or employees) did not satisfy these standards.

Neither party will be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages. In no event shall McKinsey's liability to the Client in connection with the Services relating to an engagement for the Client exceed the amount paid to McKinsey by the Client in connection with such engagement.

8. **AUTHORITY OF THE BOARD.** The Client represents and warrants it has the authority to enter into this Agreement for the Services. In the event that it is determined that the Client did not have authority to authorize all or part of this agreement, McKinsey may make the sole determination as to whether to terminate the Agreement according to Section 10 herein, or continue with those parts of the Services for which the Client does have authority. The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) resulting from a breach of this Section 8 and/or a misrepresentation by the Client of authority to act (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services).

9. **CONFLICTS OF INTEREST.** The Client agrees that performance of Services hereunder shall not conflict McKinsey from serving the Government of Puerto Rico or any stakeholders to the work, subject to the restrictions in Section 6 – "Serving Competitors."

10. **TERM AND TERMINATION.** This agreement takes effect on the date the Services commenced and shall continue until terminated in accordance with its terms. Either party may terminate the Services at any time effective upon 30 days written notice to the other. In the event of any termination, the Client will pay McKinsey for the work completed up to the effective date of termination.

11. **MISCELLANEOUS.** This agreement and the Proposals constitute the entire agreement between the parties, and there are no prior or contemporaneous oral or written representations, understandings or agreements relating to this subject matter that are not fully expressed herein or therein. This agreement and the Proposals shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles and shall inure to the benefit of and be binding on the successors and assigns of the Client and McKinsey. The following Sections shall survive the completion or any termination of the Services: 3 (Confidentiality), 4 (Intellectual Property), 5 (Disclosure of McKinsey Materials; Publicity), 6 (Serving Competitors), 7 (Indemnification), 8 (Term and Termination) and 9 (Miscellaneous) and any other provision which by law or by its nature should survive. Neither party may assign its rights or obligations under this agreement to any person or entity without the written consent of the other party, not to be unreasonably withheld, provided, however, that either party may assign its rights and obligations under this agreement to its affiliates upon reasonable written notice to the other party but without the written consent of the other party. Assignment shall not relieve either party of its obligations hereunder. McKinsey is an independent contractor and not the Client's agent or fiduciary. Notwithstanding any course of dealings of the parties at any time or any statement to the contrary contained therein, no purchase order, invoice or other similar document issued by a party shall be construed to modify the terms of this agreement. Rights and remedies provided in this agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.

The Financial Oversight and Management Board for Puerto Rico McKinsey & Company, Inc., Washington D.C.
(Client)



Name: Natalie A. Jaresko
Title: Executive Director
Date: Sept. 12, 2017



Name: Tyler Duvall
Title: Partner
Date: September 8, 2017

ATTACHMENT 1
Scope of Work
For
Commonwealth Title III Support

Services:

In regards to support for the Commonwealth Title III proceedings to the Board to include:

Activities:

- Participation in and coordination of cross advisor meetings (Board, Commonwealth and/or Stakeholders) regarding Title III related matters
- Preparation of materials necessary for supporting Fiscal Plan litigation, which could include:
 - Assemble fact base regarding process for creation, stress testing and certification of the fiscal plan
 - Assemble fact base regarding additional analyses created for the FOMB with respect to evaluating/stress testing the FY18 fiscal plan
 - Collect and summarize key input sources and supporting analysis for key fiscal plan assumptions
 - Assemble fact base regarding process and supporting analysis used to identify and evaluate key measures proposed and finally included in the fiscal plan
 - Prepare and/or evaluate alternative fiscal plan scenario analyses in support of requested alternative contexts
 - Prepare analyses in support of litigation activities
- As needed, ad-hoc analyses and/or responses to questions regarding litigation or potential litigation relating to the Fiscal Plan or other Commonwealth Title III matters
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverable:

- Monthly report regarding liquidity performance and strategic choices on liquidity related to Title III proceedings and/or ad hoc analysis performed within that month.

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Commonwealth Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for PREPA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to PREPA, McKinsey will support the Board in the following ways:

1. Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for PREPA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the PREPA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead PREPA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with PREPA, AAFAF and its experts and advisors
- Develop transformation plan for PREPA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Detailed action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required (e.g. updated IRP for PREPA)
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board PREPA subcommittee to provide updates and take guidance on PREPA transformation and Title III
- Monitor implementation of all aspects of the PREPA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

- Conduct limited market engagement as necessary to identify potential privatization options for PREPA
- Lead development of an integrated resource plan for PREPA to support the Transformation Plan in coordination with PREC and PREPA
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for HTA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance
- Support litigation related to the HTA proceedings, which has commenced

- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$720,000 per month and will continue so long as the HTA Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support, this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

**FIRST AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS FIRST AMENDMENT to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

WHEREAS, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

WHEREAS, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

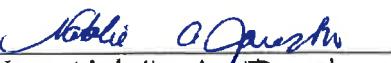
"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

IN WITNESS WHEREOF, the parties have executed this First Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico**


Name: Natalie A. Jaresko
Title: Executive Director
Date:

McKinsey & Company, Inc., Washington D.C.


Name: Tyler Duval
Title: Principal
Date: March 8, 2018

AMENDED ATTACHMENT 1
Scope of Work For Commonwealth Title III Support

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

Support for the Commonwealth Title III proceedings to the Board to include the following:

I. *Measure:*

- Revising fiscal measures contained in the March 13th Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

II. *Baseline and Macro:*

- Reviewing full certified March 13th Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

III. *Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:*

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan

- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

AMENDED ATTACHMENT 3
Scope of Work For Title III Support for HTA

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**

December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

** For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).



**SECOND AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC
AND THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS SECOND AMENDMENT to the Consulting Agreement (the “Second Amendment”) effective date of April 1, 2018, is entered into by and between McKinsey & Company, Inc. Washington D.C. (“McKinsey”) and The Financial Oversight and Management Board for Puerto Rico (the “Board” or the “Client”) (together, the “Parties”).

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the “Consulting Agreement”) for strategic consulting support related to Commonwealth Title III Support (the “Services”); and

WHEREAS, effective November 1, 2017, the Parties amended the Consulting Agreement to expand the scope of services to support the Board in connection with the required re-construction of the fiscal plan post-Hurricane (the “First Amendment”); and

WHEREAS, the Parties now desire to make additional amendments the Consulting Agreement to extend its duration and make modifications to the scope of services, as set forth below; and

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

For both “Commonwealth Title III Support” and “Title III Support for HTA”, the period of performance shall be extended through June 30, 2019. For this period of performance, the scope of services for “Commonwealth Title III Support” is reflected in the “Second Amended Attachment 1 Scope of Work for Commonwealth Title III Support”, attached hereto; and the scope of services for “Title III Support for HTA” is reflected in the “Second Amended Attachment 3 Scope of Work for Title III Support for HTA”, attached hereto. For the avoidance of confusion, “Title III Support for PREPA”, as memorialized in the Consulting Agreement, shall remain unchanged. If additional services, activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This Second Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this Second Amendment. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this Second Amendment, all other terms of the Consulting Agreement and First Amendment shall remain in full force and effect, unaltered and unchanged by this Second Amendment.

IN WITNESS WHEREOF, the parties have executed this Second Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico** **McKinsey & Company, Inc., Washington D.C.**

Natalie A. Jaresko

Name: Natalie A. Jaresko

Title: Executive Director

Tyler Duvall

Name: Tyler Duvall

Title Partner

SECOND AMENDED ATTACHMENT 3
Scope of Work for Title III Support for HTA

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Title III Support for HTA.

From **May 2018 – June 2019**, the scope of work shall be as follows:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational efficiency measures focused on near and immediate term actions to maintain sustainable operations
 - Capex program priorities and efficiency measures
 - Opportunities to increase revenues
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure and implementation plans
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$425,000
May 2018 – June 2019	\$310,000/month

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

SECOND AMENDED ATTACHMENT 1
Scope of Work for Commonwealth Title III Support

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Commonwealth Title III Support.

From **May 2018 – June 2019**, the scope of work shall be as follows:

Support for the Commonwealth Title III proceedings to the Board to include the following:

Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meeting
- Prepare content and analyses and work alongside FOMB, government and stakeholders advisors with regards to development of Plan(s) of Adjustment
- Lead preparation of “best interests” analysis in coordination with other FOMB advisors
- Lead any further development, refinement or updates to fiscal plan and/or models working with Board staff, the Board and the Government
- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan
- Prepare analyses, support FOMB counsel and lead coordination of information diligence related to potential litigation involving the certified Fiscal Plan and/or other CW Title III matters
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony. If additional expert testimony is required, the Parties will negotiate additional fees.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$1,940,000
May 2018 – June 2019	\$1,417,500/month

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

EXHIBIT B

Certification of McKinsey Washington Senior Partner Thomas Dohrmann

**UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO**

In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17-04780 (LTS)

PUERTO RICO ELECTRIC POWER
AUTHORITY (“PREPA”),

(Jointly Administered)

Debtors.

-----x-----

CERTIFICATION OF THOMAS DOHRMANN

I, Thomas Dohrmann, hereby declare the following under penalty of perjury:

1. I am one of the McKinsey Washington Partners providing consulting services related to the above-captioned Title III case;
2. I have been involved in, and managed the provision of professional services rendered by McKinsey Washington as strategic consultant to The Financial Oversight And Management Board For Puerto Rico, as representative of Debtors and am generally familiar with the work performed by the Partners, managers, associates, and other persons in the Firm;
3. The facts set forth in the foregoing Seventeenth Monthly Fee Statement: Title III Support for PREPA are true and correct to the best of my knowledge, information, and belief;
4. I have reviewed the Interim Compensation Procedures and believe that McKinsey Washington’s Seventeenth Monthly Fee Statement: Title III Support for PREPA complies therewith; and
5. In accordance with Section 11.a. of the Interim Compensation Procedures, I hereby certify as follows:

- i. No public servant of the Department of Treasury is a party to or has any interest in the gains or benefits derived from the Consulting Agreement (the contract) that is the basis of this invoice;
- ii. The only consideration for providing services under the Consulting Agreement (the contract) is the payment agreed upon with the authorized representatives of the Debtors;

- iii. The amount of this invoice is reasonable;
- iv. The services were rendered and the corresponding payment has not been made; and
- v. To the best of my knowledge, McKinsey Washington does not have any debts owed to the Government of Puerto Rico or its instrumentalities.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: July 8, 2019
Washington, DC

s/Thomas Dohrmann

Thomas Dohrmann
Senior Partner
McKinsey & Company, Inc. Washington DC

EXHIBIT C

Certification of FOMB Executive Director Natalie Jaresko

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,
et al.

(Jointly Administered)

Debtors.

**CERTIFICATION OF THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO AUTHORIZING SUBMISSION OF MCKINSEY WASHINGTON'S
MONTHLY FEE STATEMENTS FOR THE MONTH OF MAY 2019**

In accordance with the Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals [Docket Number 3269, June 6, 2018] ("Interim Compensation Procedures"), I hereby certify as follows:

1. I am the Executive Director of The Financial Oversight And Management Board For Puerto Rico ("FOMB");
2. On or about July 3, 2017, on my authorization, FOMB entered into a consulting agreement with McKinsey Washington for consulting services in support of the Title III litigation, which was first amended effective November 1, 2017, and amended again effective April 1, 2018 (the "Consulting Agreement");
3. McKinsey Washington has satisfactorily performed and fulfilled its obligations under the Consulting Agreement for the services provided in May 2019 under each of the three (3) workstreams of the Consulting Agreement, namely "Commonwealth Title III Support", "Title III Support for PREPA", and "Title III Support for HTA"; now, therefore,
4. Pursuant to Section 11.b. of the Interim Compensation Procedures, McKinsey Washington is hereby authorized to submit its Monthly Fee Statements for the allowance of compensation for reasonable and necessary strategic consulting services and support

provided during the month of May 2019, pursuant to each of the three (3) workstreams of the Consulting Agreement, namely “Commonwealth Title III Support”, “Title III Support for PREPA”, and “Title III Support for HTA.”

Dated: June 10, 2019



Natalie Jaresko, Executive Director
The Financial Oversight and
Management Board for Puerto Rico

EXHIBIT D

Title III Support for PREPA

May 2019

Summary of Work

In the month of May, the PREPA Title III team continued to work with PREPA to develop the Fiscal Plan. The team continued to prepare for and facilitate working sessions between the Board and PREPA, which were held on 5/8 and 5/22. The team also created a document for the discussion with the Board on 5/3. The focus of the 5/8 meeting was to discuss the Notice of Violation (NOV) issued by the Oversight Board to PREPA for their draft submission of Fiscal Plan. The meeting on the 5/22 was to review the new Fiscal Plan submission made by PREPA in response to the NOV.

The team also focused on two areas highlighted below: implementation review and contracts review.

The team reviewed three key contracts for the Board during the month of May: 1) Freepoint contract for the supply of bunker fuel, 2) O'Melveny & Myers (OMM) for legal services pertaining to Title III, and 3) Puma contract for the supply of diesel. The team also supported the PREPA team for their negotiations of renewable Power Purchase and Operating Agreements (PPOA).

The team continued its analysis of the accounts receivable data of PREPA, specifically on accounts related to the University of Puerto Rico (UPR), to determine balances owed to PREPA historically from these accounts, and anticipated billings to these accounts in the next fiscal year.

Separately, the team created an Excel model to help forecast solar penetration on the island, accounting for recent net-metering regulations, and future cost forecasts of solar panels in Puerto Rico.

McKinsey Washington's PREPA Title III Team Detailed Activities by Deliverable

■ Fiscal Plan and Budget

- Provided PREPA detailed comments on working draft of the Fiscal Plan including page by page questions to assist with review and implementation
- Prepared for and facilitated Fiscal Plan working sessions between Board and PREPA on 5/8 and 5/22, and synthesized notes from the working session
- Reviewed Fiscal Plan model and Budget submissions
- Prepared discussion materials for Board meeting on 5/3, based on the draft Fiscal Plan submission on 4/27
- Prepared for and facilitated Friday check-in meeting prior to final Fiscal Plan and Budget submission with PREPA on 5/31

- Implementation reporting and tracking for PREPA transformation and transaction:
 - Submitted to the Board a summary of initiative status updates based on April implementation reports, and other submissions from PREPA
 - Shared best practices for designing, negotiating, and awarding renewable PPOAs
 - Provided a bottom-up analysis showing “should cost” estimates for renewable PPOAs
 - Identified and suggested potential guardrails for the Board to support future negotiations with potential stakeholders
- Summarized Financial & Operational tracking weekly reports to Board
 - Attended creditor calls on 5/10 and 5/24 and summarized notes for Board review
- Contract review
 - Provided analysis on the OMM contract, and helped establish that the contract would not lead to PREPA spending more than the budgeted amount for FY19
 - Reviewed contract for bunker oil and helped PREPA alter procurement strategy. The analysis conducted identified a savings opportunity unlocked by postponing the signing of the contract by a few months
 - Continued support for review of the diesel supply contract
- Others
 - The team continued its analysis of the accounts receivable data of PREPA for UPR, and determined balances owed to PREPA historically from these accounts, and anticipated billings to these accounts in the next fiscal year

McKinsey Washington’s PREPA Title III Team Detail and Contributions

The McKinsey team was led by Partners (Bertil Chappuis and Matt Rogers) who provided overall quality control and stakeholder management as well as an Expert Associate Partner (Aaron Bielenberg) who led the working team. The working team consisted of one Engagement Manager and three Associates.

- Bertil Chappuis (Senior Partner – part-time – overall strategic direction):
 - Participated in meetings with Board Staff regarding the implementation of the PREPA Fiscal Plan and development of the budget
 - Participated in weekly executive Board meetings and advised on key PREPA decisions on the implementation of the PREPA Fiscal Plan
- Matt Rogers (Senior Partner – part-time – strategic direction primarily regarding power & utilities)
 - Provided overall quality control on team content and stakeholder management with Board, FOMB staff, and co-advisors
 - Provided substantive guidance on the contract language expected in Renewable PPOAs
 - Provided extensive guidance on analysis pertaining to Grid Defection based on experience with other US utilities

- Attended weekly working sessions with team to guide content and scope of team engagement
- Aaron Bielenberg (Associate Partner – part-time – strategic direction, primarily in power, utilities and restructuring)
 - Participated in daily working sessions with team to guide work, address cross team issues, and provide content knowledge
 - Attended executive level Board meetings to review progress and advise on key PREPA decisions on the implementation of the PREPA Fiscal Plan
 - Reviewed and provided input for all team deliverables (implementation updates of PREPA Fiscal Plan measures, financial & operational tracking, Proposed Budget, Fiscal Plan draft templates and comments on PREPA submissions, memos to Board, and meeting materials)
 - Attended meetings with PREPA, including implementation updates on initiatives, and Fiscal Plan working sessions and check in calls
- AK Mahadevan (Engagement Manager – full-time – overall management and fiscal plan, model and budget, implementation, stakeholder engagement)
 - Attended weekly executive level calls and oversaw analyses and material development to inform Board discussions related to PREPA Fiscal Plan and transformation
 - Led daily problem-solving sessions with the full team, coordinating and prioritizing team deliverables across all workstreams
 - Co-facilitated all meetings with PREPA on implementation of all initiatives
 - Prepared for and attended all calls and meetings related to the Fiscal Plan, providing broad oversight and guidance with other team members
 - Reviewed all draft memos, summaries, and reports by other team members, including providing comments and revisions on initial drafts, prior to submission to Board
 - Conducted analysis supporting the negotiations of the PPOA
- Ankit Saraf (Associate – full-time – fiscal plan, budget, accounts receivables review, and other)
 - Attended Creditor call on 5/10 and 5/24 and summarized notes for Board review
 - Co-reviewed Fiscal Plan draft submission on 5/3 for compliance with PROMESA, general structure, and information comprehensiveness
 - Co-reviewed Fiscal Plan submissions on 5/24 and 5/30 for compliance with PROMESA, general structure, and information comprehensiveness
 - Co-evaluated methodology and numbers in Fiscal Plan model and Budget draft submission on 5/3
 - Co-evaluated methodology and numbers in Fiscal Plan model and Budget submissions on 5/24 and 5/30

- Co-prepared materials for Board meeting on 5/3, based on 4/27 and 5/3 Fiscal Plan submissions
- Co-prepared Notice of Violation (released on 5/4), based on 4/27 and 5/3 Fiscal Plan submissions
- Co-prepared materials for and co-facilitated Fiscal Plan and Budget working sessions on 5/8 and 5/22, and synthesized notes
- Prepared materials for and attended Fiscal Plan weekly check-in call on 5/31
- Analyzed accounts receivables data of PREPA, specifically on UPR accounts
- Max Grass Araya (Associate – full-time – implementation monitoring and reporting)
 - Prepared all materials and questions for PREPA pertaining to the implementation chapter of the Fiscal Plan submission
 - Prepared all questions pertaining to the bunker fuel contract – showed through model that signing the contract a few months later is more beneficial to PREPA
 - Prepared the analysis and materials to assist with the review and approval of the OMM and bunker fuel contracts
 - Prepared the initial set-of questions for the Puma contract on diesel
 - Calculated expected return from Renewable PPOAs under various scenarios to help establish guardrails for future negotiations
 - Analyzed PREPA’s proposed salary increases and identified key questions that need to be answered prior to approving
- Rachel Wang (Associate – full-time – fiscal plan, budget, and other)
 - Co-reviewed Fiscal Plan draft submission on 5/3 for compliance with PROMESA, general structure, and information comprehensiveness
 - Co-reviewed Fiscal Plan submissions on 5/24 and 5/30 for compliance with PROMESA, general structure, and information comprehensiveness
 - Co-evaluated methodology and numbers in Fiscal Plan model and Budget draft submission on 5/3
 - Co-evaluated methodology and numbers in Fiscal Plan model and Budget submissions on 5/24 and 5/30
 - Co-prepared materials for Board meeting on 5/3, based on 4/27 and 5/3 Fiscal Plan submissions
 - Co-prepared Notice of Violation (released on 5/4), based on 4/ 27 and 5/3 Fiscal Plan submissions
 - Co-prepared materials for and co-facilitated Fiscal Plan and Budget working sessions on 5/8 and 5/22, and synthesized notes
 - Prepared materials for and attended Fiscal Plan weekly check-in call on 5/31
- Nick Lilovich (Associate – Grid defection analysis)

- Prepared analysis to forecast the penetration on rooftop and commercial solar on the island based on expert interviews and research
- Provided scenario analysis to demonstrate the future impact of the high penetration of solar on the island on net energy demand

EXHIBIT E

April 2019 Invoice

McKinsey&Company

The Financial Oversight and Management Board for Puerto Rico
PO Box 195556
San Juan, Puerto Rico 00919-5556

ATTN: Promesa Assistant
accountspayable@promesa.gov

Invoice No: USQ-4471IW-5795

Consulting Agreement
Client for Strategic Consulting support related to the
Title III Cases
Effective Agreement Date: July 3, 2017

Invoice Date: 06/27/2019

Net 30

FFP Payment Schedule for PREPA Services

Invoice PoP: May 1, 2019 – May 31, 2019

Gross invoice amount for services performed outside Puerto Rico:	\$	551,765.97
Gross invoice amount for services performed in Puerto Rico:	\$	265,118.35
Subtotal	\$	816,884.32
Less withholding tax deducted at source	\$	(76,884.32)
Net Invoice Payable:	\$	740,000.00

Total Invoice Amount: \$740,000.00

McKinsey reserves the right to reissue an invoice to account for changes in applicable taxes.

Please wire transfer payment to:
McKinsey & Company, Inc.
Citibank N.A.
Bank Account Number: [REDACTED]
Bank ABA Routing Number: [REDACTED]

If remitting by check please send check to:
McKinsey & Company, Inc.
P.O. Box 7247-7255
Philadelphia, PA 19170-7255

Federal Tax ID#: 56-2405213

Please reference the invoice number and invoice date on your remittance advice.

For advice or questions on remittances, please contact Pamela Wertz 202-662-0060 or Jordan Mandell 202-662-0938.